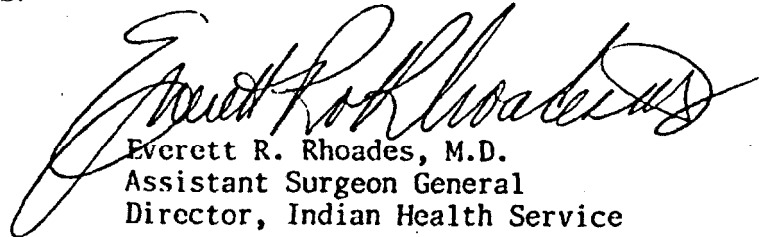


PURPOSE

This transmittal forwards a revised manual for those areas that have central supply service center operations.



Everett R. Rhoades, M.D.
Assistant Surgeon General
Director, Indian Health Service

MATERIAL TRANSMITTED

Part 5, Chapter 6, Section-1 - (General

- 2 - Introduction to Supply Management and Performance Standards
- 3 - Area Operating Procedures
- 4 - Service Unit Operating Procedures
- 5 - ADP Look-Up Tables/Codes
- 6 - ADP Supply Reports - Local Processed
- 7 - Data Entry Procedures
- 8 - Computer Edits and Updates
- 9 - ADP Supply Reports - DPSC Processed
- 10 - Exhibits

MATERIAL SUPERSEDED

Indian Health Manual, Part 5, Chapter 6 - Supply Management TN 85.1, dated 2-26-85, in its entirety.

MANUAL MAINTENANCE

File the material transmitted in proper sequence in Part 5 of the Indian Health Manual. Destroy superseded TN 85.1, dated 2-26-85.

EFFECTIVE DATE

The effective date of TN 86.4 is upon receipt.

Distribution:

Date: September 30, 1986

TABLE OF CONTENTS

PART 5 -MANAGEMENT SERVICES

Chapter 6 - SUPPLY MANAGEMENT-CENTRAL OPERATIONS

SECTION 1-3

SECTION 1 - GENERAL

SECTION 2 - INTRODUCTION TO SUPPLY MANAGEMENT AND PERFORMANCE STANDARDS

SECTION 3 -AREA OPERATION PROCEDURES

TABLE OF CONTENTS

PART 5 - MANAGEMENT SERVICES~

CHAPTER 6 - SUPPLY MANAGEMENT - CENTRAL OPTIONS

SECTION 1 - GENERAL.

	<u>SUB SECTION</u>
Applicability -----	5-6.1B
Authority -----	5-6.1D
Definitions -----	5-6.1F
Introduction to Chapter 6 -----	5-6.1A
Objectives -----	5 - 6 . K
Responsibilities, Director IHS -----	5-6.1E

5-6.1 General

5-6.1.A Introduction:

- (1) Purpose: This Chapter provides, instructions, policies, procedures, practices and responsibilities for the economical, effective and efficient management and control of supplies in support of the Indian Health Service Programs.
- (2) Plan of the Chapter: The Chapter is organized into SECTIONS as follows:
- Section 1 - General
 - Section 2 - Introduction to Supply Management and Performance Standards
 - Section 3 - Supply Center (Area) Operating Procedures
 - Section 4 - Service Unit Operating Procedures
 - Section 5 - ADP Look-Up Tables/Processing Codes
 - Section 6 - ADP Supply Reports - Local Processed
 - Section 7 - Data Entry Procedures (NCR)
 - Section 8 - Computer Edits and Updates
 - Section 9 - ADP Supply Reports - DPSC Processed
 - Section 10 - Exhibits
- (3) Each page will be numbered in numerical sequence, within SECTIONS. A covering Transmittal Notice will accompany all material for filing in this Chapter. Each notice will list the Material(s) being transmitted, with filing instructions, notices of deletions and any necessary background and/or related information as appropriate.
- (4) The "Check List of Transmittal Notices" (Exhibit 5-6.1OA(l)) is designed to record the Transmittal Notices.
- (5) Development and Maintenance: The Supply Management Branch, under the direction of the Office of the Director, Indian Health Service, is responsible for developing and maintaining this Chapter.
- (6) Suggestions, recommendations, and topics for inclusion into this Chapter, are solicited from all personnel involved in the Supply Management Program.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.1A continued

- (7) Area Supply Management Officer shall assure maintenance of Chapters in his/her area on a current basis and issue supplements to this Chapter for his area, as appropriate. ,copy of area supplements are to be -provided to- the Supply Management Branch, Office of Administration and Management, Indian Health Service.

5-6.1B Applicability:

The instructions and procedures contained in this Chapter are applicable to all Indian Health Area/Program Offices and field stations that have a Central Supply Center operation (Central Warehouse). The term "supplies" for the purpose and intent of this Chapter, pertains to any item falling into major object classification code "26" Supplies and Materials.

5-6.1C Objectives:

The objective of this Chapter is to establish and maintain an effective and efficient supply management program to accomplish:

- (1) Effective planning and scheduling of requirements to assure that supplies are available to meet program needs, while maintaining inventory levels at a minimum.
- (2) Maintenance of proper and adequate inventory controls and accountability records.
- (3) Uniformity of applications.
- (4) Maximum utilization of supplies.
- (5) Proper storage and preservation of supplies.
- (6) Timely preparation and utilization of supply management reports.
- (7) Budgetary support documentation for supply requirements.

5-6.1D Authority:

Procedures outlined in this Chapter are prescribed by the Director, Indian Health Service.

5-6.1E Responsibilities

Director , Indian Health Service, through the Supply Management Branch, is responsible to:

5-6.1F continued

- (1) Provide overall guidance and direction to the Indian Health Service Supply Management Program and evaluates its-effectiveness on a continuing basis. In order to accomplish these purposes, the Office of the Director shall:
 - a. Conduct an effective program that will prevent loss, waste, unauthorized or improper use, and unwarranted accumulation of supplies.
 - b. 'Plan, develop and administer an intergrated Indian Health Service supply system, including automation, budgeting, warehousing, receiving, issuing, requirements, inventory control procedures', etc.
 - c. Conduct periodic supply management reviews for the purpose of determining compliance with prescribed policies and regulations, and the need for guidance and/or training.
- (2) The Area/Program Director is responsible to the Director, Indian Health Service,, for assuring compliance with the procedures and instructions outlined in this Chapter. Procedures and instructions contained herein are mandatory and will be used by Area and Station Management officials at all levels and other personnel concerned with the management of supplies within the Indian Health Service.
- (3) Any exceptions to these procedures require the approval of the Office of the Director, Indian Health Service. Submit request for exceptions to the Supply Management Branch for processing.

S-6.1F Definitions:

- (1) Accountability - The obligation imposed by law, administrative order, or regulation, upon an official of HHS to render an accounting to another official for funds or property entrusted to him, whether HHS. owned, leased, or acquired by loan from any other source. All property under control of the Department shall be accounted for, including property loaned to other Federal and non-Federal activities.
- (21) ACCOUNTABLE AREA - An area specifically defined by organization or geographic limits throughout which property accountability is assigned to a designated accountable official.
- (3) ACCOUNTABLE OFFICE - An office, field station, or headquarters organization where property accountability records are maintained for the officially designated accountable area(s).

5-6.1F continued

- (4) ACCOUNTABLE OFFICER An officer or employee designated by proper authority to have accountability for the property charged to his/her accountable area.
- (5) ACCOUNTABLE PERSONAL PROPERTY: All personal property which is made subject to accountability by appropriate authority. Such property includes that capitalized in the fiscal records of the Department and all personal property for which quantitative record control is, required to be maintained. (Inventories of supplies and materials.)
- (6) ACCOUNTING PERIOD- 'That period 'of 'time (normally 30 days) from the 'previous month cutoff ,date to the current month cutoff. The supply accounting period, is from the first day of the month' through; the last-day of the month.
- (7) ACQUIRE - Means to obtain ownership of personal property in any manner, including purchase, transfer, donation, manufacture or production at Government owned or operated plants or facilities. An item will be considered to be acquired at the time title to the item passes to Indian Health Service irrespective, of point of origin.
- (8) AUTOMATED SUPPLY SYSTEM --A system employing the use of Electronic Data Processing (EDP) equipment which incorporate the Perpetual inventory control technique with related direct issue procedures to maintain control' of supplies.
- (9) BOARD OF SURVEY - A committee usually consisting of three to five officials/employees of the Government appointed to inquire into the circumstances of a loss, damage, destruction or condition of, property. in accordance, with prescribed policies and procedures.
- (10) CENTRAL SUPPLY CENTER . Central inventory of all supplies stocked by an area: In; lieu of, each individual, service unit maintaining a stores stock Inventory system
- (11) CUPBOARD STOCK - Authorized quantities of stocks of supplies and materials held at the point of consumption to meet the calculated needs of, the ultimate user(s) in the area on a day-to-day basis and which are stored in a cabinet, cupboard, or closet in the immediate area occupied by the user(s). Normally, cupboard stock quantity of an item should not exceed a 30-day supply.
- (12) CUSTODIAL LOCATION (STATION) - A segment of an accountable area.
- (13) CUSTODIAL OFFICER - An officer or employee designated. by proper authority to be responsible for the proper use, maintenance and

5-6.1F continued

protection of. property entrusted to his possession or charged to his custodial location.

(14) DIRECT ISSUE - Items of supply which do not meet the criteria for stores stock are delivered direct to the consumer (requisitioner) upon receipt.

(15) ECONOMIC ORDER QUANTITY (EOQ),- The quantity of a stores stock item to be procured for inventory expressed in terms of months supply and .determined. by use of an appropriate EOQ cost ratio table.

(16) EXCESS SUPPLIES - Supplies unrequired by DHHS and are available for transfer to other Federal departments and agencies.

(17) FREEZABLE ITEM - Item of supply which may be subject to freezing if improperly packaged and stored or transported at certain time periods. Such items should be properly identified to permit a schedule analysis and determination of requirements under the EOQ Principle of stock replenishment.

(18) HIGH CUBE ITEM - Supply item which requires a cubic foot storage requirement in excess of available reserved space for the item when replenished-and received in quantities developed by the application of basis EOQ Principle of stock replenishment. Therefore, requirements determined by basis EOQ **must** be modified accordingly.

(19) INDEX NUMBER - An index number is a predetermined series of numbers consisting of a five digit number suffixed by a single digit. The series of five digit numbers are sequential but not consecutive. The single digit suffix is a "check digit".

(20) INVALID TRANSACTION - An invalid transaction is an input record that contains invalid data in one or more of the record columns.

(21) LEAD TIME - The 'anticipated' period of time (expressed in months or fractions of a month) between the time a review for possible stock replenishment is started and receipt of the item, when ordered.

(22) PERSONAL PROPERTY - Government property of any kind or interest therein, except real property and records of the Federal Government.

(23) PROPERTY RECORDS - Official records reflecting the date of acquisition or disposal, a cross reference to the acquisition or

5-6.1F continued

disposal voucher; the cost or affixed valuation of property, quantity and value affected by each transaction, the total quantity for which an installation or office is accountable, and the gross dollar value. Property records also include perpetual inventory records of unissued supplies and materials.

- (24) PROPERTY VOUCHERS - Are requisitions, issue slips, receiving reports, turn-in slips, or other forms or media from which information is obtained to make entries on property records. Vouchers literally are those documents which vouch for or support an entry on another record, and provide an audit trail. Vouchers are controlled documents to be assigned, significant identification for accounting and audit purposes.
- (25) REPORT OF SURVEY - A report of a board-of-survey or survey officer summarizing the circumstances and findings surrounding a shortage, loss, theft, damage or destruction of property.
- (26) REVIEW POINT QUANTITY - The review point- is a level of stock when reached. signals potential. stock replenishment need. The quantity is arrived at by taking-the lead time months plus safety stock months times the projected monthly usage to arrive at the review point quantity.
- (27) SAFETY STOCK - The safety stock is the quantity of an item in the inventory which is in addition to the quantity required to maintain availability during procurement lead time. Safety stock provides for fluctuation and variations in procurement lead time and demand.
- (28) SEASONAL ITEM - An item of supply required for specific time period(s) within a 12-month cycle either in quantities in excess of the normal requirements or as a single one-time annual requirement. In either instance, the existence of the requirement requires planned procurement. The quantities necessary for the season must be developed with the user(s) and cannot be totally determined by EOQ method of stock replenishment.
- (29) SENSITIVE ITEMS - Supplies and materials which because of their nature and portability are particularly susceptible to misappropriation or because they are dangerous substances and therefore are subject to record control-and special safeguards at all times, such as controlled drugs, precious metals, ethyl alcohol, etc.
- (30) SHORT SHELF LIFE ITEMS - An item of supply that has a variable shelf life based upon the degree of temperature range applied to

5-6.1F continued

the storage area or other factors implied or expressed by the manufacturer.

- (31) STANDBY ITEM - Any item of supply not required in normal day-to-day operations, but which is required to be immediately available to meet emergency requirements which do not allow delay, incident to normal procurement processes, without resulting in the possibility of: (1) endangering life; (2) damage, destruction, or loss of Government property; and (3) substantial financial loss to the Government due to interruption of operations.
- (32) STOCK ITEMS - Those items considered proper for storage and issue and which are accounted for by a perpetual inventory control system.
- (33) STORES STOCK - Authorized inventories of items on which stock control records are maintained, principally consisting of supplies and materials.
- (34) SUPPLIES AND MATERIALS - A term used to designate or refer to a grouping of classes and categories of property which, when applied to use, are ordinarily consumed or exhausted or lose their identity when incorporated into or made a part of equipment or fixed property.
- (35) SUPPLY MANAGEMENT - When used as a general term is the broad function of the management, coordination, and regulation of activities concerned with the function of, planning supply needs; the acquisition of supplies; the receipt, storage, and distribution of supplies; the proper utilization and care of supplies; of supply accounting control and the disposition of supplies.
- (36) SUPPLY MANAGEMENT OFFICER - The employer who has been designated by proper authority to be immediately responsible for the exercise of such supply management functions as are authorized to be performed at the office and installations for which he is assigned responsibility, without regard to the job title by which his position is officially known.

SURPLUS SUPPLIES - Supplies for which there is no longer a need within the Federal Government.

UNIT OF ISSUE - A specified quantity of an item, in the lowest practical and economical unit, adopted to fulfill the minimum requirements of all using/ordering activities.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.1F continued

- (39) UNREQUIRED SUPPLIES - Supplies for which there is no longer a need within the facility and which are available for transfer,. to. another facility or component of the Department.
- (40) YEARLY ITEM -Item in supply that has been determined by 'proper authority to be replenished on an annual schedule.-

TABLE OF CONTENTS

PART 5 - MANAGEMENT SERVICES

CHAPTER 6 - SUPPLY MANAGEMENT - CENTRAL OPERATIONS

SECTION 2 - INTRODUCTION TO SUPPLY MANAGEMENT AND PERFORMANCE STANDARDS

	<u>SUB SECTION</u>
Introduction to Supply Management -----	5-6.2A
Area Supply Performance Standards	
Purpose -----	5-6.2B(1)
Rating Method -----	5-6.2B(2)
Rating Points -----	5-6.2B(4)
Supply Standard No. 1 -----	5-6.2B(6)
Supply Standard No. 2 -----	5-6.2B(7)
Supply Standard No. 3 -----	5-6.2B(8)
Supply Standard Nos. 4-9 -----	5-6.2B(9)
Supply Standard No. 10 -----	5-6.2B(10)
Supply Standard No. 11 -----	5-6.2B(11)
Supply Standard No. 12 -----	5-6.2B(12)
Supply Standard No. 13 -----	5-6.2B(13)
Service Unit Supply Performance Standards -----	5-6.2C

5-6.2 Introduction to Supply Management and Performance Standards

5-6.2A Introduction to supply Management:

Many have asked the questions:, "What do the people in Supply Management do?" "What is their role?" "What are the functions of Supply Personnel?"

To properly understand the subject of Supply Management, we must all realize at the outset that we, in the Indian Health Service, are in a business.

We are in a business just as any large corporation is in business, with relatively few modifications, and, with the exception that we are in the biggest business in the world: the United States Government. We must, therefore, begin by looking at our business from the standpoint of basic business principles.

In any business, there are certain functions so vital that business activity will cease unless each one of these vital functions is performed somehow, somewhere, at some time, by someone, in a minimum degree required for the satisfactory achievement of the purpose and primary objectives of the business.

While these functions may differ somewhat in various kinds of organizations, fundamentally, in some form, the following three business functions always appear: (1) the product or service to be provided by the business; (2) the physical factors necessary to production of the product or service; and, (3) finance.

Translated into language applicable to the Indian Health Service, these three functions may be referred to as: (1) the professional health services which must be provided to raise the health status of the Indians and Alaska Natives to the highest level possible; (2) the physical facilities, equipment, supplies and services essential to the performance and accomplishment of the professional health services; and, (3) the budget, which is the process for obtaining financial support for the performance of the professional services, and the provision of the essential sustaining physical facilities.

It is part of the second of these functions that is the subject of this introduction namely: the provision of supplies essential **to** the performance and accomplishment of the professional health services; or, more familiarly, the function of Supply Management.

Then, it is **the** function of Supply Personnel in the Indian Health Service to facilitate the achievement of the Service's purpose and objectives through primary support of its professional health program and other programs, by managing to provide whatever supplies the Service needs; at the proper time and place in the required amounts

5-6.2A continued

having the necessary qualities; obtainable under applicable laws, regulations and policies; at the lowest possible costs; with the greatest possible economy, efficiency and 'effectiveness; in the Government's best interest.

This functional statement, of course, is a reduction of extensive detailed function to their broadest and most comprehensive terms.

Second, when we state that it is the function of Supply Personnel to provide whatever services the Indian Health Service needs, we do not mean that the sole function of Supply Personnel is to "buy" whatever is wanted upon the mere presentation of a requisition. Unfortunately, this concept, though popular, is a gross misinterpretation and misunderstanding of the function of Supply Personnel. The term "to provide" has many meanings; and "to provide" may be the end result of the application of any one of many procedures.

While the items may eventually be bought, it is obvious that no one can "buy" simply for the sake of buying. It is equally obvious that "to buy" an item when an identical or satisfactory substitute item is available, laying idle, is also poor business. Hence, it becomes readily apparent that "buying" or, using any other means of providing what is needed must necessarily be the result of the prior applications of sound supply management principles and modern practices.

Thus, the application of sound supply management principles and modern practices becomes the predominant and controlling function of Supply Personnel.

This means simply that, on the one hand, it is a principal function of Supply Personnel to conduct continual surveys, appraisals and evaluations of supplies on hand for such management data as proper identification, classification, quantity, quality, or condition, rate of usage, etc., in order to determine whether or not we are obtaining maximum economical and efficient utilization of the supplies we have, where it is. In other words, there must be a constant assessment of our supply situations and practices in relation to and coordination with the needs of the professional health program and other supportive programs needs, through the application of and disposal actions, in order to ascertain the efficiency and effectiveness of the support being given by Supply Personnel to the facilitation and achievement of the Service's purpose and objectives. Such assessments of supply situations, in addition to more tangible benefits, reveal deficiencies in policies, procedures, systems, methods, reporting, controls, or unsuspected problem 'areas, and thus provide the basis for reappraisals, improvements or corrections. Where such assessments reveal deficiencies in quantities or qualities of needed supplies, it then becomes necessary first to take steps to acquire such supplies through the application of such economical management methods.

5-6.2A continued

On the other hand, an equally important supply management function is the planning and development of programs in consonance with the professional health programs and other administrative program plans in anticipation of needs in order to have available the necessary supplies at the proper time and place, in the required quantities and qualities, to satisfy planned needs.

Although the purpose or ultimate goal of the Service is clearly defined, the means of achieving that purpose or goal, namely the programs immediate and long range objectives, are subject to modifications or changes in order to be consistent with changes in trends or situations. Consequently, Supply Personnel must not only be constantly aware of these changes in programs or objectives, but must also be prepared to adjust its plans to meet the changing needs.

Supply management must also constantly question traditional supply management policies that are deemed "realistic" simply because they have been habitual; and, continually raise questions about the assumptions underlying policy and reexamine them in the light of modern management developments rather than simply taken them for granted, if supply management is to prove efficient and effective as a support function. Accordingly, it must also plan and adjust its program and schedules to meet changing needs.

In addition to these functions, supply management also had numerous other functions, such as inventory management, quantity and quality control, the preservation and protection of property, reconciliations, stores management, and so on.

Nevertheless, you will recall, we previously indicated that "to provide" supplies does not necessarily mean to "buy" them. Buying or procurement procedures should be employed only after we have assured ourselves of maximum utilization of supplies on hand, and after having screened unrequired and excess sources for identical or acceptable substitute items available elsewhere in the Government.

The third item in our review of the broad functional statement is the citation that such property and services will be provided which are "obtainable under applicable laws, regulations and policies -- in the Government's best interest".

At this point, we must realize too, that the Indian Health Service, although extremely important is, nevertheless, only one of innumerable subsidiary enterprises in this big business of the United States Government, yet, though we are only a subsidiary, we are a component of this great business and as such come under its massive scope and the almost limitless complexity of its laws and regulations.

5-6.2A continued

While these laws, regulations and policies relating to Supply Management are numerous, the one which most immediately prescribes the responsibilities and authorities of Supply Management is known as the Federal Property and Administrative Services Act of 1949. This Act, amended many times generally places all responsibility and authorities for the administration of the physical facilities and services of the Government under the Administrator of the General Services Administration.

Although he has delegated most of his administrative responsibilities to the heads of the various Executive Agencies, the process of delegation relieves the Administrator of none of his responsibility, authority or accountability. Therefore, while the Administrator has delegated most of the administrative responsibilities and authorities given to him under the Act to the heads of the Executive Agencies, the Administrator is held accountable for administration of the Act, 'including the administration and performance of those to whom he has given 'delegations.

With regards to property management, The Administrator shall, in respect of executive agencies, and to the extent that he determines that so doing is advantageous to the Government, in terms of economy, efficiency, or service, and with due regard to the program activities of the agencies concerned:

1. Prescribe policies and methods of procurement and supply of personal property and non-personal services, including related functions such as contracting, inspection, storage, issue, property identification and classification, transportation and traffic management, management of public utility services, and repairing and converting; and,
2. Operate, and, after consultation with the executive agencies affected, consolidate, take over, or arrange for the operation by any executive agency of warehouses, supply centers, repair shops, fuel yards, and other similar facilities, and,
3. With respect to transportation and other public utility services for the use of executive agencies, represents such agencies in the negotiations with carriers and other public utilities, and proceedings involving carriers or other public utilities before Federal and State regulatory bodies;

In order to minimize expenditures for property, the Administrator shall prescribe policies and methods to promote the maximum utilization of excess property by executive agencies, and he shall provide for the transfer of excess property among Federal Agencies, and to other organizations specified

5-6.2A continued

Each executive agency shall (1) maintain adequate inventory controls and accountability systems for the property under his control, (2) continuously survey property under its control to determine which is excess property, and promptly report such property, (3) perform the care and handling of such excess property, (4) transfer or dispose of such property as promptly as possible in accordance with the authority delegated, and regulations prescribed by the Administrator.

Each executive agency shall, as far as practicable, (1) make reassignments of property among activities within the agency when such property is determined to be no longer required for the purpose of the appropriation from which it was purchased, (2) transfer excess property under its control to other Federal agencies, and (3) obtain excess property from other Federal agencies.

With regard to the disposal of surplus property, the Act provides among other things that, except as otherwise provided, "----- the Administrator shall have supervision and direction over the disposition of surplus-----" personal and real property. "Such property shall be disposed of to such extent; at such time, in such areas, by agencies, at such terms, and conditions, and in such manner, as may be prescribed in or pursuant to this Act."

Another section of the Act provides that the Comptroller General "---- shall prescribe principles and standards of accounting for property ----- and approve such, systems when deemed to be adequate and in conformity with prescribed standards. From time to time the General Accounting Office shall examine such property accounting systems as are established by the executive agencies to determine the extent of compliance with prescribed principles and standards and approved systems, and the Comptroller General shall report to the Congress any failure to comply with such principles and standards or to adequately account for property."

The General Accounting Office shall audit all types of, property accounts and transactions, at such times, and in such manner, as determined by the Comptroller General."

In addition, the Act provides that, 'As it may be deemed necessary for the effectuation of functions under this title, and after adequate advance notice to the executive agency affected, ----- the Administrator of the General Services Administration is authorized (1) to make surveys of Government property and property management practices and obtain reports thereon; (2) to cooperate with executive agencies in the establishment of reasonable inventory levels for property stocked by them and from time to time report any excessive stocking to the Congress and to the Director of the Bureau of the budget; (3) to establish and maintain such uniform Federal Supply Catalog system as may be appropriate to identify and classify personal property under the control of Federal agencies.

5-6.2.A continued

The above citations of specifics were presented to give you some idea of the broad responsibilities and authorities provided in the Act. Similarly, the Act covers additional items such as the applicability of Anti-Trust Laws; civil remedies and penalties operation of buildings and related activities; motor vehicle identification and operation; procurement procedures; advertising requirements; requirements of negotiated contracts; advance payment; waiver of liquidated damages; Federal records; reports to Congress, and so on.

As evidenced in the references mentioned above, the Supply Management function also demands a constant familiarity not only with the above Act as amended, but also with General Services Administration Regulations on Personal Property Management, Real Property Management, and Records Management; various titles of United States Codes; Comptroller General's Decisions; Bureau of the Budget Circulars; Codes of Federal Regulations; the Federal Register; Joint Regulations on Printing and Binding; Federal Procurement Regulations; Transportation and Communications Regulations; Federal Supply Schedules; Federal Supply Classifications; Federal Identification Guides for Supply Catalogs; Index of Federal Specifications, Standards and Handbooks; Public Health Service Laws and Regulations; related agency manuals and supplementations, etc.

At this point, lets bring into focus the facts that:

1. The Administrator of the General Service Administration has been given full responsibility for the administration of procurement, management, utilization, control and disposal of all real and personal property and services.
2. That to a large extent, responsibilities and authorities provided in the Federal Property and Administration Services Act of 1949 have been delegated to the heads of the executive agencies, and, through redelegation, to the General Services Officer;
3. That the responsibilities of administration are enormously extensive and complex;
4. That taken in the context that " the whole is the sum of its part ," the Indian Health Service is as totally obligated to comply with the requirements of these laws, regulations and policies, as is any other Government operation; and,
5. Finally, that Congress demands executive accountability for such administration and provides for its right to audit performance at any time.

5-6.2A continued

To fulfill the requirements of this great complex of laws and regulations, it becomes obvious that Supply Management personnel must not only be familiar or conversant with all the above responsibilities, but must, in fact, be expert in their applications.

To summarize, you will recall that the Supply Management function is a basic business function, restated in the Government, through a massive network of laws, regulations, policies, decisions, procedures, systems, methods and practices, which have evolved with the tremendous growth in Government services and organizations, in order to accomplish numerous purposes, and that the performance of these functions demands expert knowledge and experience much of which is unique to the Indian Health Service.

You will recall, that Supply Management is accountable not only through executive channels to the Administrator, General Services Administration; the Bureau of the Budget and others, but also, through the General Accounting Office, we are accountable to Congress for Performance.

We, the Indian Health Service, can have a viable supply program that provides for having supplies on hand to meet Patient Care and Program needs within the many laws, regulations, policies, etc., and in keeping with the application of sound supply management principles and practices. To do this, all employees must be involved at varying degrees in the supply program and its operation and not only those employees with the work "Supply" in their position title being involved at varying degrees.

Note: The above introduction was re-drafted from an article written by J. H. Montroy, Indian Health Service, July 11, 1963.

5-6.2B Area Supply Performance Standards

- (1) The purpose of supply standards is to improve the overall area supply program. That is, to, make management aware of various aspects of the supply program that are being managed or that need improved management. These standards relate to investment (inventory value and issue values), proper utilization of the system, and supply support provided.
- (2) The rating method used in the Performance Appraisal System for Merit Pay Employees is used in rating the Supply Performance Standards. Each supply standard is given a weight point factor with the total weights for all standards not exceeding 100 points. Performance levels within the standard are also assigned points as follows:

<u>Performance Level</u>	Points
Substantially Exceeds	= 4
Exceeds	= 3
Meets	= 2
Partially Meets	= 1
Fails to Meet	= 0

- (3) The performance level points, times the weight factor points assigned to the supply standard equals total points received for that standard. Example: Supply Performance Standard No. 1 is assigned a weight factor of 10 and the level of performance is Exceeds. This would equal to a total of 30 points (3 x 10) for that standard.
- (4) The overall rating for an area/program is based on the total points as follows:

<u>Total Points</u>	
361-400	= substantially Exceeds
300-360	= Exceeds
200-299	= Meets
100-199	= Partially Meets
0-99	= Fails to Meet

- (5) Ratings are accomplished by the Supply Management Branch, Office of Administration and Management, at the end of each quarter based on individual area supply reports and inventory status reports as provided by each area office.
- (6) Supply Performance Standard No. 1: Annual supply inventory turn-over rate. The number of times the inventory turned over in the past 12 months.

5-6.2B continued

a. Purpose: To reduce funds (\$\$\$) tied up in inventory at any one time. The higher the turn-over rate, less funds (\$\$\$) are tied up in inventory. To reduce overstocking of supplies and to reduce space requirements.

b. Weight Factor: 10

<u>Performance Levels:</u>	<u>Points</u>
3.5 - 1.2 Times	Substantially Exceeds = 40
3.0 : 3.4 Times	Exceeds = 30
2.5 - 2.9 Times	Meets = 20
2.0 - 2.4 Times	Partially Meets = 10
0.0 - 1.9 Times	Fails to Meet = 0

d. Calculation: Average monthly inventory value for the past 12 months divided into the total value of stock receipts for the past 12 months.

e. Monitoring: **This standard** can be monitored by reviewing **Supply Report No. 20**. Use actual figures for the exact turn-over rate or use the months supply on hand divided into 12 for a general turn-over rate.

(7) Supply Performance Standard No. 2: Inactive items in inventory. Percent of the items in inventory that have had no stock issues in 13 months or longer.

: Purpose: To reduce investment loss from items becoming outdated/deteriorated/unusable. To improve space utilization and reduce personnel time in maintaining inactive stock.

b. Weight Factor: 5

<u>Performance Levels:</u>	<u>Points</u>
0.0 - 0.5%	Substantially Exceeds = 20
0.6 - 1.0%	Exceeds = 15
1.1 - 1.5%	Meets = 10
1.6 - 2.0%	Partially Meets = 5
2.1 - 100%	Fails to Meet = 0

d. Calculation: Divide the total number of items in inventory into the number of items with no issues in 13 months or longer.

e. Monitoring: This standard can be monitored by reviewing the following monthly supply reports: Report No. 12, Station Listing of Inactive Stores Stock Items; Reports No. 19 & 20, Monthly Supply Summary Data by General Ledger Account; and Report No. 23, Listing of Overstocked/Inactive Items.

5-6.2B continued

- (8) Supply Performance Standard No. 3: Stores stock fill rate.
Percent of the line items requested from stores stock that had the total requested quantity issued.

a. Purpose: To improve supply support provided to the direct

b. Weight Factor: 10

<u>Performance Levels:</u>	<u>Points</u>
98 - 100% Substantially Exceeds	= 40
96 - 97% Exceeds	= 30
94 - 95% Meets	= 20
92 - 93% Partially Meets	= 10
O- 91% Fails to Meet	= 0

- d. Calculation: Total number line items requested from stores stock since the beginning of the fiscal year divided into the total number line items that were 100% filled since the beginning of the fiscal year.

This standard can be monitored by reviewing the
e. monthly supply reports: Report No. 11 Station Monthly Transaction Register; Reports 19 and 20, Monthly Supply Summary Data by General Ledger Account.

- (9) Supply Performance Standards Nos, 4-9: Stores stock issue versus direct issues. Percent of the total issue value (Stores Stock plus direct issues) that should be issued from stores stock by General Ledger Account for Hospital and Health Clinic Funds. Sub-Sub Activity 01.

a. Purpose: To provide better supply support services to the using activities. To reduce manual records that are maintained by using activities. To reduce storage space requirements at the point of use. To reduce the number of purchase orders being issued. To improve inventory control and accountability by placing recurring use items into the inventory system.

b. Weight Factor:

(1) Drugs	- 10
(2) Medical/X-Ray Supplies	- 10
(3) Subsistence	- 5
(4) Laboratory Supplies	- 10
(5) Office/Admin. Supplies	- 5
(6) Other Supplies	- 5

CHAPTER 6
SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.2B continued

c. Performance Levels :	Points
(1) Drugs (Excludes Blood) - G.L. Account 125.1	
86 - 100% Substantially Exceeds =	40
81 - 85% Exceeds =	30
76 - 80% Meets =	20
71 - 75% Partially Meets =	10
0 - 70% Fails to Meet =	0
(2) Medical/X-&\$ Supplies - G.L. Account 125.2	
70 - 100% Substantially Exceeds =	40
65 - 69% Exceeds =	30
60 - 64% Meets =	20
55 - 59% Partially Meets =	10
0 - 54% Fails to Meet =	0
(3) Subsistence - G.L. Account 125.3	
26 - 100% Substantially Exceeds =	20
26 - 30% Exceeds =	15
21 - 25% Meets =	10
16 - 20% Partially Meets =	5
0 - 15% Fails to Meet =	0
(4) Laboratory Supplies - G.L. Account 125.4	
26 - 100% Substantially Exceeds =	40
26 - 30% Exceeds =	30
21 - 25% Meets =	20
16 - 20% Partially Meets =	10
0 - 15% Fails to Meet =	0
(5) Office/Admin. Supplies - G.L. Account 125.5	
36 - 100% Substantially Exceeds =	20
31 - 35% Exceeds =	15
26 - 30% Meets =	10
21 - 25% Partially Meets =	5
0 - 20% Fails to Meet =	0
(6) Other Supplies (Excludes Fuel) - G.L. Account 125.9	
50 - 100% Substantially Exceeds =	20
45 - 49% Exceeds =	15
40 - 44% Meets =	10
35 - 39% Partially Meets =	5
0 - 34% Fails to Meet =	0
d. Calculation: Divide the total issue value (stock plus direct) since the beginning of the fiscal year into the total stores stock issue value since the beginning of the fiscal year.	

5-6.2B continued

- e. **Monitoring:** These standards can be monitored by comparing the **stock issue values** to the **direct issue** values as listed on Reports 16 and 17, Monthly Sub-Sub Activity Reports.
- (10) **Supply Performance Standard No. 10:** Value of Overstocked/Inactive Supplies. Percent of the inventory value that is **overstocked/inactive**.
- a. **Purpose:** To reduce inventory investment (\$\$\$). To reduce inventory losses from items becoming **outdated/deteriorated/unusable**, etc. To reduce space requirements. To improve inventory turn-over rate and to reduce months supply on hand.
- b. **Weight Factor:** 5
- c. **Performance Levels:**
- | | Points |
|-----------------------------------|--------|
| 0.0 - 1.5% Substantially Exceeds | = 20 |
| 1.6 - 3.0% Exceeds | = 15 |
| 3.1 - 4.5% Meets | = 10 |
| 4.6 - 6.0% Partially Meets | = 5 |
| 6.1 - 100% Fails to Meet | = 0 |
- d. **Calculation:** Value of **overstocked** items (quantity on hand in excess of **12** months supply plus review point quantity times unit cost) plus the value of items with no issues in 13 months or longer divided by the total inventory value.
- e. **Monitoring:** This standard can be monitored by reviewing **monthly supply** Report No. 23, Listing of Overstocked/Inactive Items and Report No. 12, Listing of Inactive Items.
- (11) **Supply Performance Standard No. 11:** Utilization of Requirements Analysis Report. Percent of the items listed on Monthly Requirements Analysis Report that have appeared for 3 or more consecutive months. (Does not include 1.0 or 1.5 **EOQ** Month items.)
- a. **Purpose:** To maintain the supply inventory at its proper level. To reduce stock outages and overstockage. To reduce emergency purchase orders.
- b. **Weight Factor:** 5

5-6.2B continued

c. <u>Performance Levels:</u>	<u>Points</u>
0 - 3% Substantially Exceeds	= 20
4 - 6% Exceeds	= 15
7 - 9% Meets	= 10
10 - 12% Partially Meets	= 5
13 - 100% Fails to Meet	= 0

d. Calculation: Divide the total number of items appearing on the report excessive times since the beginning of the fiscal year by the total number of items on the report since the beginning of the fiscal year.

e. Monitoring: This standard can be monitored by reviewing Report No. 13, Monthly Requirements Analysis Report, and Reports 19 & 20, Monthly Supply Summary Data by Account.

(12) Supply Performance Standard No. 12: Inventory Overages/Shortages. Percent of stock item that had overages/shortages on the annual inventory.

a. Purpose : To maintain the &countable inventory records in an accurate status at all times. This will assist in reducing stock outages and reduce procurement of items prior to actual need.

b. Weight Factor: 10

c. Performance Levels:
Points

0.0 - 0.5% Substantially Exceeds	= 40
0.6 - 1.0% Exceeds	= 30
1.1 - 1.5% Meets	= 20
1.6 - 2.0% Partially Meets	= 10
2.1 - 100% Fails to Meet	= 0

d. Calculation: **The** percentage is arrived at by dividing the number of line items received/issued in the 12 month prior to the inventory into the number of items that had overages/shortages on the annual inventory.

e. Monitoring: This standard can be monitored by reviewing the annual inventory records and by reviewing monthly supply reports to ensure that errors are corrected and processed and that any missing documents are accounted for and processed.

5-6.2B continued

(13) Supply Performance Standard No. 13: Annual review of individual Service Unit supply programs.

- a. **Purpose:** To identify any problems that the facility may be ~~having and~~ to assist in resolving those problems; to determine compliance with prescribed policies and regulations; to determine the need for additional guidance and/or training; and to improve coordination and cooperation between the facilities and the Area Supply Service Center.

- b. Weight Factor: 10

- c. Performance Levels: Points

Service Unit (**IHS** and 638 operated) reviews are conducted **to** effectively evaluate the Supply Management Program Area-wide. Presents written findings including correction action plan **to** Service Unit Directors and to Area top management no later than **30-days** after **evaluation**. Recommendations and corrective actions are sound and achievable,

Semiannual review is conducted of all service units -
Substantially Exceeds = 40

Annual review is conducted at each Service Unit plus
at least 50% of the service units are reviewed
semiannually Exceeds = 30

Annual review is conducted at each service unit
Meets = 20

Annual review is conducted at 75% of the service
units Partially Meets = 10

Annual review is conducted at less than 75% of the
service units Fails to Meet = 0

- d. Schedule : A Service Unit review schedule is to be developed each September for the next fiscal year. Reviews are to be scheduled six months apart. A copy of the review schedule is to be provided to Chief, Supply Management Branch, **IHS**, and to other appropriate staff.
- e. **Monitoring:** This standard can be monitored by checking the **review schedule** against Service Unit Review Reports

5-6.2C Service Unit Supply Performance Standards

- (1) The purpose of these standards is to improve the overall supply program.
- (2) Each supply-standard is given a weight-point factor with the total weights for all standards not exceeding 100 points. Performance levels within the standard are also assigned points as follows:

Performance Level	Points
Substantially Exceeds	= 4
Exceeds	= 3
Meets	= 2
Partially Meets	= 1
Fails to Meet	= 0

- (3) The performance level points times the weight factor assigned to the supply standard equals total points received for that standard. Example: Performance Standard No. 1 is assigned a weight factor of 10 and the level of performance is Exceeds. This would equal a total of 30 points (3 X 10) for that standard

- (4) The overall rating for a service unit is based on the total points as follows:

Total Points	Rating
361-400	= Substantially Exceeds
300-360	= Exceeds
200-299	= Meets
100-199	= Partially Meets
0-99	= Fails to Meet

- (5) Ratings are completed by the Area Supply Management Officer, Supply Service Center, at the end of each quarter based on individual Service Unit supply reports and information as provided by the Service Unit.

- (6) Supply Performance Standard No. 1: Percent of the total line items requested from the Supply Service Center that are requested off schedule.

- a. Purpose: To reduce stock outages at the point of use and to improve management of cupboard stock inventory levels.
- b. Weight Factor: 15

c. Performance Levels:

	Points
0 - 10%	Substantially Exceeds = 60
11 - 15%	Exceeds = 45
16 - 20%	Meets = 30
21 - 25%	Partially Meets = 15
26 - 100%	Fails to Meet = 0

5-6.2C continued

- d. Monitoring: This standard can be monitored by reviewing Supply Report No. 77 each month.

(7) Supply Performance Standards Nos. 2-7: Percent of total supply usage (issues from SSC plus direct issues) by category for sub-sub activity 01 that is acquired by the direct issue purchase method.

- a. Purpose: To provide better supply support to the using activities; reduce manual supply records being maintained; reduce storage space requirements at the point of use; reduce the number of purchase orders being processed; and to improve supply accountability by placing recurring use items into the inventory control system.

- b. Standard No. 2 - Drugs (Excludes Blood) - 125.1

(1) Weight Factor: 15

(2) <u>Performance Levels</u>		<u>Points</u>
0 - 14%	Substantially Exceeds	= 60
15 - 19%	Exceeds	= 45
20 - 24%	Meets	= 30
25 - 29%	Partially Meets	= 15
30 - 100%	Fails to Meet	= 0

- c. Standard No. 3 - Medical/X-Ray - 125.2

(1) Weight Factor: 15

(2) <u>Performance Levels</u>		<u>Points</u>
0 - 30%	Substantially Exceeds	= 60
31 - 35%	Exceeds	= 45
36 - 40%	Meets	= 30
41 - 45%	Partially Meets	= 15
46 - 100%	Fails to Meet	= 0

- d. Standard No. 4 - Subsistence - 125.3

(1) Weight Factor: 10

(2) <u>Performance Levels</u>		<u>Points</u>
0 - 69%	Substantially Exceeds	= 40
70 - 74%	Exceeds	= 30
75 - 79%	Meets	= 20
80 - 84%	Partially Meets	= 10
85 - 100%	Fails to Meet	= 0

5-6.2C continued

e. Standard No. 5 - Laboratory - 125.4(1) Weight Factor: 10(2) Performance Levels Points

0 - 69%	Substantially Exceeds	=	40
70 - 74%	Exceeds	=	30
75 - 79%	Meets	=	20
80 - 84%	Partially Meets	=	10
85 - 100%	Fails to Meet	=	0

f. Standard No. 6 - Office/Admin - 125.5(1) Weight Factor: 10(2) Performance Levels Points

0 - 64%	Substantially Exceeds	=	40
65 - 69%	Exceeds	=	30
70 - 74%	Meets	=	20
75 - 79%	Partially Meets	=	10
80 - 100%	Fails to Meet	=	0

g. Standard No. 7 - Other Supplies (Excludes Fuel Oil) - 125.9(1) Weight Factor: 10(2) Performance Levels Points

0 - 50%	Substantially Exceeds	=	40
51 - 55%	Exceeds	=	30
56 - 60%	Meets	=	20
61 - 65%	Partially Meets	=	10
66 - 100%	Fails to Meet	=	0

h. Monitoring: These standards can be monitored by comparing the stock issues for SSA-01 listed on Report No. 74 to the direct issue values listed on Report No. 16 for SSA-01.

5-6.2C continued

(8) Supply Performance Standard No. 8: Semi-annual review of ~~individual~~ department supply operations.

- a. Purpose: To identify any problems that the user ~~may~~ be having ~~and to assist~~ in resolving those problems; to improve coordination and cooperation between the user and the supply section; and to improve direct supply support to the using department.

- b. Weight Factor: 15

- c. Performance Levels. Points

100% Reviewed - Substantially Exceeds	= 60
90 - 99% Reviewed - Exceeds	= 45
80 - 89% Reviewed - Meets	= 30
70 - 79% Reviewed - Partially Meets	= 15
0 - 69% Reviewed - Fails to Meet	= 0

- d. Schedule : A Semi-annual Department Review schedule is to be developed each September for the next fiscal year. The first review is **to cover the** period October - March and the second review is to cover the period April - September. A copy of the review schedule is to be provided to the Area Supply Management Officer and to appropriate Service **Unit** staff.

- e. Monitoring: This standard can be monitored by checking the ~~review schedule~~ against the Department Supply Review document.

TABLE OF CONTENT'S

PART 5 - MANAGEMENT SERVICES

CHAPTER 6 - SUPPLY MANAGEEMENT - CENTRAL OPERATIONS

SECTION 3 - AREA OPERATION PROCEDURES

	<u>SUB SECTION</u>
ADP Supply Reports -----	5-6.3AM
ADP Supply Reports, Special Use of -----	5-6.3AL
Audits	
Administrative Review	
Budgets	
High Number of Issue Documents	
High Number of Purchase Orders	
Proper EOQ Table	
Excessive Credit Balances	
High Value of Overstocked/Inactive Items	
Inventory Levels	
Monitoring	
Outdated Items	
Open Market Purchases	
Stock Outages - Low Fill Rate	
Storage Space	
Supply Records, Accuracy of	
Year End Funds, Proper Use of	
Area Reviews -----	5-6.3AF
Authority to Approve Supply Disposals by Destruction -----	5-6.3S
Board of Survey - Report of Survey -----	5-6.3AB
Books/Publications -----	5-6.3AK
Budget Projections - Stores Stock -----	5-6.3AD
Cataloging of Stores Stock Items -----	5-6.3F
Index Number Register	
Assignment of Index Numbers	
Catalogs	
Federal Catalog System	
General Ledger Account Code Assignment	
Account Code/Sub-Object Code Changes	
Chemotherapy Drugs -----	5-6.3AN
Controlled Substances - Issuing/Receiving -----	5-6.3N
Security	
Custodian for Controlled Substances	
Issue Request Documents	

TABLE OF' CONTENTS

5-6.3 continued

	<u>SUB SECTION</u>
Review of Issue Request .	
Control/Processing of Issue Request	
Issue of Controlled Substances	
Receipt of Controlled Substances	
Cytotoxic Drugs -----	5-6.3AN
Dated Items -----	5-6.3X
Expiration Date	
Report No. 24	
Disposal	
Disposal of Deteriorated/Damaged Stock Items -----	5-6.3R
Disposal of Outdated Supplies -----	5-6.3Q
Outdated Items in Inventory	
Outdated Items Returned from Facilities/Service Units	
Document Control/Editing/Processing/Auditing -----	5-6.3I
Documentation/Pricing of Supplies --.-----	5-6.3H
Due In Transactions -----	5-6.3J
Economic Order Quantity (EOQ) Principle -----	5-6.3E
Hazardous Materials -----	5-6.3AN
Index Numbering System -----	5-6.3G
Inventory Adjustments -----	5-6.3AA
Circumstances	
Documenting	
Approving	
Issue of Stores Stock Supplies - Other Than Controlled Substances -----	5--6.3L
Stock Issue Order/Delivery Schedule	
Stock Issue' Request 'Documents	
Review of Issue Request	
Control/Processing of Issue Request	
Issue of Supplies	
Back Order Issues	
Emergency/Urgent Issues	
New Stores Stock Item -----	5--6.3W

TABLE OF CONTENTS

5-6.3 continued

	<u>SUB SECTION</u>
Overstocked/Unrequired/Excess Supplies ----- Acquisition Disposal	5-6.3Y
Physical Inventory ----- Purpose Frequency Schedule/Reports Inventory Procedures Inventory Teams Reconciliation Document File	5-6.3Z
Procurement ----- Cancellations Follow-Up Back Orders Priority of Supply Sources	5-6.3AJ
Product Recalls -----	5-6.3T
Property Voucher Register and File ----- Property Voucher Document Review Numbering Voucher Register Voucher File	5-6.3K
Quality Control/Assurance Program ----- Goals and Objectives Quality Control Coordinator Reporting Warehouse Quality Control	5-6.3U
Receipt of Supplies - Other than Controlled Substances --- Inspection Receiving Reports Pricing Processing	5-6.3M
Reconciliation of General Ledger Accounts -----	5-6.3AC
Responsibilities, ----- Area/Program Director Area Executive Officer Branch and Office Chiefs	5-6.3C

TABLE OF CONTENTS'

5-6.3 continued

SUB SECTION

Chief, Administrative Services	
Supply Management Officer/Supply Service Center Director	
Property Accountable Officer	
Individuals for Public Property	
Safe-Guards -----	5-6.3D
Security -----	5-6.30
Service Unit Reviews -----	5-6.3AG
Supply Activity Report -----	5-6.3AI
Supply Committees -----	5-6.3V
Committees	
Goals and Objectives	
Committee Representation	
Area Supply Committee Coordinator	
Committee Meetings	
Reports	
Potential Benefits	
User Code Assignment -----	5-6.3AE
Warehouse -----	5-6.3P
Space Layout	
Stock Identification	
Care and Preservation of Supplies	
Insect and Rodent Control	
Housekeeping and Fire Safety	
Inspection	
Training/Orientation	
Workshops/Orientation -----	5-6.3AH

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3 AREA OPERATING PROCEDURES

5-6.3A GENERAL

- (1) This Section incorporates and implements statutes and regulations of the Federal Property Management Regulations, the General Accounting Office, HHS Personal Property Management Regulations, PHS, HRSA, and the Indian Health Service. This Section is to be used by Area/Program Directors, all other Area/Program management levels, Supply Management and Accountable Officers, and other personnel involved in the management of supplies.

5-6.3B PURPOSE

- (1) The purpose of this Section is to prescribe standard procedures for all Area/Program Offices that have central supply service center operations within the Indian Health Service.

5-6.3C RESPONSIBILITIES

(1) Area/Program Director

- a. The Area/Program Director has primary responsibility for providing direction and leadership in the supply management program and to assure that the procedures and requirements of this Chapter are efficiently and effectively carried out.
- b. Responsibilities of the Area/Program Director are detailed in the HHS Materiel Management Manual 103-1.5006 and PHS 103-1.5109.

(2) Area Executive Officer

- a. The Area Executive Officer shall assure compliance of the overall supply management program in accordance with policies and procedures, as prescribed.

(3) Branch and Office Chiefs

- a. Area Branch and Office Chiefs shall provide all technical, administrative, and professional advice and assistance as may be required in accomplishing an effective and efficient supply program.

(4) Chief, Administrative Services Branch

- a. The Chief, Administrative Services Branch, or in the absence of a Chief, Administrative Services Branch, the Area Property Officer, has primary responsibility for the supply management program and shall ensure, through guidance, supervision, and

5-6.3C continued

direction, that supply activities are carried out in, an effective and efficient manner. The incumbent shall periodically- review the functioning of the supply management activities, at--both -the Area and Service Unit level to assure that necessary supply requirements are being met, within the budgetary limitations, and that procedural guidelines are being followed.

(5) Supply Management Officer/Supply Service Center Director

- a. The Supply Management Officer is responsible for the overall direction and guidance of supply management functions within the area, i.e., acquisition, utilization, disposal, inventory control, warehousing, security, care and protection, accounting, cataloging, determining supply and fund requirements, submission of mandatory reports. The Supply Management Officer shall assure compliance with the procedural guidelines established in this Chapter and the compulsory requirements of GSA, DHHS, GAO, PHS, etc. Review the supply management program on a continuing basis to determine effectiveness, identify problem areas, determine solutions, and recommend necessary changes in procedures.
- b. The Supply Management Officer is also responsible for:
 - (1) establishing stores stock budgets for each service unit and assisting the service unit staff in preparation of their direct issue budgets;
 - (2) providing consultation to service unit staff in regards to supply management, storage space utilization, new facilities planning and staffing for supply functions; and
 - (3) auditing/reviewing the supply functions at the service units and reporting findings and recommendation to SUD, A0 and to appropriate area staff.
- c. The Supply Service Center Director shall designate, in writing:
 - (1) Individuals who are authorized to receipt for incoming shipments to the Supply Service Center. A copy of the memorandum designating receiving agents is to be provided to the Area Finance Officer and to the Custodial Officer .
 - (2) Custodial Officer(s) for Controlled Substances, see

5-6.3C continued

(3) A Quality Control Coordinator, see 5-6.3U.

(4) A Supply Committee Coordinator, see 5-6.3V

(6) Property Accountable Officer

- a. The appointment, assumption of accountability, responsibility, and relief from accountability of Property Accountable Officer shall be in accordance with HHS Materiel Management Manual.

(7) Individuals for Public Property

- a. Any employee of the Department who has use of, supervises the use of, or exercises control over Government property, is responsible for such property. This responsibility may take either or both of the following forms:

- (11) Supervisory responsibility. This requires the establishment and continuous enforcement of necessary administrative measures to assure proper preservation and utilization of all Government property under jurisdiction of an officer-in-charge, an administrative official, or a supervisor. This responsibility does not denote, however, that personnel in such positions will be held pecuniarily liable for loss, damage, or destruction of property under their supervisory jurisdiction, unless there is evidence of neglect or misconduct indicating dereliction of duty on their part.

- (2) Personnel responsibility. Responsibility for the care and protection of Government property is an obligation inherent in every position occupied by a Government employee. Every employee is obligated to properly care for, handle, and use Government property, whether such property has been issued to or specifically assigned for his personal use, or is used by him only occasionally. The use of Government property at or away from the office or station requires the same exercise of judgment and prudence for care and protection of the property as a reasonable person would apply to his personal belongings. Leaving expensive equipment such as cameras, portable tape recorders, etc., in full view in a locked car in a location during periods when breaking and entering could be accomplished unobserved is not exercising prudence. Such action, when associated with other factors, could constitute negligence.

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT. - CENTRAL OPERATIONS

5-6.3C continued

- b. Failure on the part of an employee to exercise responsibility for the care and protection of Government property could result in pecuniary liability. An employee may be held pecuniarily liable and be required to make restitution to the Government when such a determination has been under the Board of Survey procedure, or upon a review of the case by the prescribed authority of his designee when the determination has been appealed by the employee. The employee may be excused from liability by the same authority
- c. The extract from Section 641 of Title 18, United States Code, quoted below, available on Form HHS-542, Care and Protection of Government Property, will be posted on bulletin boards and other conspicuous places, for information and guidance of all concerned

“Whoever embezzles, steals, purloins, or knowingly converts to his use or the use of another, or without authority, sells, conveys, or dispose of any record, voucher, money, or thing of value of the United States or of any department or agency thereof; or any property made or being made under contract for the United States or any department or agency thereof; or

Whoever receives, conceals, or retains the same with intent to convert to his use or gain, knowing it to have been embezzled, stolen, purloined,. or converted

“Shall be fined not more than \$10,000 or imprisoned not more than ten years, or both; but if the value of such property does not exceed the sum of \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

“The word "value" means face, par, or market value, or cost price, either wholesale or retail whichever is greater.”

5-6.3D SAFE-GUARDS

- (1) The Area Supply Management Officer and other personnel responsible for property must continually be on guard against possible conflict of interest within the supply operation and that supplies are used only for official purposes. The accounting rule of checks and balances must always be applied to the supply operation. Some areas that may and/or will present possible conflicts or possible misuse are:

- a. The Designated Receiving Agent is also the Purchasing Agent.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT CENTRAL OPERATIONS

5-6.3D continued

- b. Vendor invoices being received and processed by the Designated Receiving Agent or Purchasing Agent. Invoices are to be submitted by the vendor direct to the Finance Office that processes the invoice for payment.
- c. Issue of inappropriate items to requisitioners, i.e., issue of coffee to someone other than dietary; issue of kleenex or coffee cups to administrative offices. Is the item required for official purposes?
- d. Excessive usage of an item(s) by a requisitioning activity. Does the work load justify the usage?
- e. Inventory shortages --- don't assume **that** errors in documentation or processing are the cause of all shortages.
- f. The Office of Inspector General, DHHS, has recommended the following division of responsibilities at field locations so that the responsibilities for:
 - (1) Purchasing supplies and preparing receiving reports be delegated to different employees;
 - (2) Receiving vendor's billings and matching receiving reports be done by employees performing financial functions;
- g. In general, division of responsibilities **must** be made to eliminate, an atmosphere conducive to fraud by collusion with vendors and to theft of supplies (including drugs).

5-6.3E ECONOMIC ORDER QUANTITY (EOQ) PRINCIPLE

- (1) The "Economic Order Quantity" (EOQ) principle is a mathematically proven solution for arriving at the lowest total costs for ordering and holding inventory to **meet** expected supply requirements. Each civil executive agency is required, by FPMR 101-27.102, to follow this principle in the management of inventories. In its most concise form the economic order quantity principle can be stated in the formula: $Q = \sqrt{CY}$. In words this formula says that the "economic order quantity" (Q) is the square root of the value of annual requirements (Y) times a cost factor (C) which includes the cost to order and the cost to hold stock.
- (2) The Economic Order Quantity (EOQ) principle is one of the **most** effective tools used in inventory management. Scientifically sound, this principle has found practical application in inventory control at all distribution levels.

MANAGEMENT SERVICES

SUPPLY MANAGEMENT-CENTRAL OPERATIONS

5-6.3E continued

- (3) EOQ reduces total costs .by:
 - a. Decreasing the number of orders without increasing the inventory investment; No other set of order -quantities can produce fewer orders for a given inventory investment.
 - b. Decreasing the size of the inventory without increasing the number of orders. No other set of order quantities can produce a smaller inventory investment for a given number of orders.
 - c. Balancing or equating procurement cost and carrying costs. No other set of order quantities can result in minimum total c o s t s .
- (4) "EOQ Tables" have been pre-developed for use in Indian Health Service. The "EOQ Table" considers the cost to replenish a stock item and the cost to hold the inventory. "EOQ Tables" are contained in Section 5-6.5 of this Chapter,.
- (5) Complete Exhibit 5-6,10A(20) to arrive at the proper station "EOQ Table". The cost ratio arrived at is to be compared to the "EOQ Tables" and the Table closest to the cost ratio figures is to be used for the station.
- (6) For a complete review and understanding of the "EOQ" principle, it is recommended that you obtain the GSA Handbook on "The Economic Order Quantity Principle and Applications", which is available from GSA Depots under National Stock Number 7610-00-543-6765.

5-6.3F CATALOGING OF STORES STOCK ITEMS

(1) Index Number Register

- a. Report No. 43, Stores and Equipment Index Register, provides a listing of valid index number. The Register identifies those index numbers that are in use by the area for either stores stock or capitalized equipment.
- b. When an index number is assigned to a new area stores stock item, annotate the complete description of the item next to the index number.
- c. When an item is deleted from the area stores stock system or from the capitalized equipment records, annotate the Register with the month and year that the item is dropped. These index numbers are not to be reassigned for a period of three (3) years.

5-6.3F continued

- d. A new Index Number Register can be requested from DPSC as needed.

(2) Assignment of Index Numbers

- a. An index number must be assigned to each item brought into the stores stock system.
- b. When a new item for stock is approved, assign the next available number from the Index Register. Annotate the Master Alphabetical Catalog Listing with the index number, description, unit of issue, station code, date established, etc., and establish Area Master Record - 4A Transaction and Station Master Record - 5A Transaction.
- c. New Item Request form, Exhibit 5-6.10A(34), is to be used to add a new stores stock inventory item.

(3) Catalogs

- a. Area Master Catalogs are available locally on request in index number and/or alphabetical sequence. Report No. 34, Area Master Index Number Catalog Listing and Report No. 35, Area Master Alphabetical Catalog Listing. Station Alphabetical Catalog Listing, Report No. 42, is also available on request.
- b. Area Supply Service Centers are to publish a complete alphabetical catalog of the items carried in their supply inventory. The catalog is to be completely updated annually and pen & ink changes processed as needed. The catalog is to include:
 - (1) general policies and procedures;
 - (2) ordering procedures;
 - (3) order/delivery schedules;
 - (4) emergency/urgent order procedures;
 - (5) controlled substances ordering procedures;
 - (6) new item request procedures;
 - (7) supply service center contact personnel; and
 - (8) other appropriate information.

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3F continued

(4) Federal Catalog System

- a. The Federal Catalog System as prescribed, in Subpart 103-30 of the HHS Materiel Management Manual is required to be followed by Indian Health Service.
- b. The Area Supply Management Officer is responsible for submitting Standard Form 1303, "Request for Federal Cataloging Action". The SF 1303 is a multipurpose form and is to be used for all actions relating to a National Stock Number. SF 1303 is available under NSN 7540-01-048-3167.
- c. Submit SF 1303 to:

Director
HSA Supply Service Center
Perry Point, Maryland 21902

(5) General Ledger Account Code Assignment

- a. Each item carried in stores stock inventory is to be identified with the proper General Ledger Account Code. Listed below are the General Ledger Account Codes and their related Federal Supply Classification Groups.

- | | |
|--------|--|
| 125.1 | <u>Drugs, Biologicals, Reagents, Blood and Blood Products</u>
Federal Supply Classification 6505 and 8965 |
| 125.2 | <u>Medical, Dental, X-Ray Supplies</u>
Federal Supply Group 65xx, except for 6505 |
| 12s .3 | <u>Subsistence</u>
Federal Supply Group 89xx |
| 125.4 | <u>Laboratory Supplies and Chemicals</u>
Federal Supply Groups 66xx and 68xx |
| 125.5 | <u>Office/Administrative Supplies</u>
Federal Supply Groups 75xx and 76xx |
| 125.9 | <u>All Other Stock Classes</u>
All other items not classified in 125.1, 125.2,
125.3, 125.4, or 125.5 |

5-6.3F continued

(6) Account Code/Sub-Object Code Changes

- a. Changes to the account code and/or sub-object code requires an Area "4C" transaction. Change in account code requires the submission of the new account code and the new object-subobject code. Changes of subobject code within an established account requires the submission of the current account code and the new subobject code.
- b. The computer will assign the fiscal year, month and voucher number 3727 to each item being changed and generate credit/debit transactions to adjust the accounts and list the transactions on appropriate reports. The change is made at the end of the daily/monthly processing.

5-6.3G INDEX NUMBERING SYSTEM

- (1) All items of stores stock will be assigned an index number for identification and control purposes. The index number consists of a five digit number suffix by a single digit. The single digit suffix is called "check digit". All six digits are required for a complete index number.
- (2) The modulus eleven check digit system of assigning index numbers was selected to assure the highest degree of accuracy in the processing of supply transactions. The modulus eleven check digit system works in the following manner:

Weights: 6, 5, 4, 3, 2
 Modulus: 11

Example: Number used 13575

Number	13	5	7	5	
Weights	x6	x5	x4	x3	x2
	<u>6+15+20+21+10</u> = 7				

72 : 11 = 6 with remainder of 6

Remainder 6 from modulus 11 = 5

5 is the check digit for number 13575

72 + 5 = 77 - evenly divisible by 11.

Therefore 13575.5 is the index number.

5-6.3G continued

- (3) The purpose of the calculation shown in the above example is to arrive at a number the sum of the products of the weight's times the index number digits) which, including the, value of the check digit, is an even multiple of, eleven of which, when divided by eleven, produces a zero remainder.
- (4) If during the calculation originally necessary to determine the check digit, the remainder one (1) is produced after the division by eleven, the number which produces this result cannot be used because it would require the addition of a two-digit number (10) to arrive at a final sum which is evenly divisible by eleven. As a two-digit check number cannot be used with this system, any index number which requires the check digit ten (10) is inadmissible. This means that under a straight numeric system approximately every eleventh number cannot be used as an index number.

5-6.3H DOCUMENTATION / PRICING OF SUPPLIES

- (1) The term "supplies" for the intent and purpose of this manual, pertains to any item' falling into major object classification code "26" - Supplies and Materials", regardless of the funds used to acquire the supplies or as to how they were acquired.

(2) Receipts

All receipts of supplies by the Indian Health Service whether the result of a purchase action, a transfer, a gift, a donation, or a discovery of an item not previously recorded, are to be documented and the document acknowledged by an appropriate employee such as the Property Management Officer, or Accountable Officer, or a designated receiving agent.

(31) Issues

All issues of supplies whether issued from stock or made available to the user upon receipt (direct issues) are to be documented and the document acknowledged by an appropriate employee to receipt for supplies at point of use.

(4) Other Transactions

All other transactions affecting the status of supplies such as transfers to other accountable or custodial areas, other Federal agencies, adjustments to property records, reports of survey, disposal by sale or exchange/sale, or destruction are to be documented whether or not accountable property is involved, and the document executed by an appropriate official.

5-6.3H continued

(5) Pricing

- a. Items Purchased - Purchased items are to be picked up in the records based on the cost paid for the item, excluding time payment discounts. (HHS Accounting Manual 1-30-10C states, "No adjustments will be made for time discounts in the unit costs of individual items").
- b. Donations and Gifts - Donations and Gifts are to be receipted for at their fair market value.
- c. Issues - Issues from inventory are priced out based on the computed average cost. Total quantity on hand divided into total inventory value equals average unit cost.

5-6.3I DOCUMENT CONTROL/EDITING/PROCESSING/AUDITING

(1) Control

A monthly Voucher Number Control Sheet, Exhibit 5-6.10A(S), is to be maintained by the SSC, Inventory Management Unit for each vouchering location. Vouchers are to be checked off as they are received. Status of missing vouchers shall be determined and all vouchers accounted for prior to the close of business in each accounting period. (The accounting period is the first day through the last day of the month.) The Voucher Number Control Sheets are to be filed by vouchering location. The Finance Office shall be provided a copy of each facility monthly Voucher Register.

(2) Editing

Vouchered documents covering receipts, issues, inventory adjustments, survey actions, disposals, etc., received by the SSC - Inventory Management Unit are to be edited prior to release for processing (keytaping). The edit process will include the verification of all coding to assure compatibility for computer processing, unit of issue conversions, proper document format, signature/approval of authorized official, etc.

(3I) Processing

Documents are to be entered into the Supply Accounting System in accordance with procedures outlined in Section S-6.7 of this Chapter. After data entry, the vouchers are to be stamped "Cleared - Property Management", and forwarded to finance except for storeroom issue documents.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3I continued

(4) Auditing

The Area Supply Management, Officer is responsible to ensure that all documents are processed. The station monthly Voucher Register, I-K-31, is to be verified against Report No. 10, Monthly Voucher Summary Report, to ensure that all documents are accounted for and that they have been processed correctly. When there is a difference between the Voucher Register and the Voucher Summary Report, a copy of the document is to be obtained from the facility to determine the error and for appropriate corrective action to be taken.

(5) Reversal Transactions

- a. Reversal transactions are to be used to reverse out records that were processed incorrectly. The reversal transaction record must be identical to the original transaction, except for the transaction code. Example: A receipt is processed with an incorrect quantity. Use Transaction Code "2K" to reverse out the incorrect record as listed on the Transaction Register and use Transaction Code "22" to re-enter the correct data,
- b. DO NOT attempt to take shortcuts. If the original entry had a quantity of 12 and it should have been 10, DO NOT prepare the reversal for 2. Use two records: Reverse the 12 with one record and enter 10 with the other record
- c. DO NOT use the reversal technique if the item has been inventoried since the error was made or if the time span between when the error was made and the current account month is over 12 months.

5-6.3J DUE IN TRANSACTIONS

- (1) A Due In transaction is to be established for each stores stock item appearing on a purchase order or other type acquisition document. The Due In remains established until the final receipt or a Due In cancellation transaction is processed. The entire established Due In for the matching purchase order will be eliminated if the receipt transactions contains a code F (Final). Partial receipt transactions (identified by code P) will automatically update the outstanding Due In balance when there is a match on purchase order numbers. The maximum number of acceptable Due Ins for a given index number at one time is three.
- (2) Cancellation of outstanding Due Ins is to be based on valid data the item was in fact cancelled by the vendor; the item was received and for some reason the Due In was not cancelled - make sure that the receipt transaction was processed.

5-6.3J continued

- (3) Obligating copies -of purchase orders or other acquisition documents are to-be routed through the SSC, Inventory Management Unit prior to , going to Finance, The SSC, Inventory Management Unit is to review the orders, process due in transactions for stores stock items and, stamp the orders 'Cleared - Property Management'.

5-6.3K PROPERTY VOUCHER REGISTER AND FILE

(1) Property Voucher

- a. Property vouchers are documents that certify and support entries of transactions to the, property accountable records and General Ledger Accounts; and that certify and support the direct issue of supplies to using elements of an installation. Documents that pertain to major object classification code "26" - Supplies and Materials regardless of the funds used to acquire the supplies or how they were acquired, including all stores stock issues, adjustments, transfers, disposals are to be documented and assigned a voucher number.

(2) Document Review

- a. Prior to the assignment of the property voucher number, review the document (all copies to ensure that the document contains all required information and that the information is legible, i.e.:
 - Do all copies of receiving reports contain the signature of the designated receiving agent?
 - Do all copies of the document, contain the required accounting data?
 - Are the quantity and value correct on the receiving reports?
 - Is the quantity received/issued correct based on your station unit of issue?
 - Does the data entry person have to guess at the data on the document?

(3) Numbering

- a. Vouchers shall be numbered for reference and control purposes.
 - (1) The voucher number will consist of the fiscal year, calendar month, and serial number.

MANAGEMENT-SERVICES

SUPPLY MANAGEMENT' - CENTRAL OPERATIONS

5-6.3K continued

- (2) The serial number will commence with 0001 at the beginning of each monthly accounting period. A separate number will be assigned to each document.
- (3) The property voucher number will-be entered (normally) in the lower right hand corner of the document.
- (4) Documents certifying to and supporting the rendition of a service, will not be assigned a voucher number. However, documents covering both the receipt of supplies and the performance of a service will be assigned a voucher number.
- (5) Voucher numbers will not be assigned to equipment documents. The assignment of voucher numbers and maintenance of the property voucher register for equipment will be accomplished by the Area Property Management Section/Branch,

(4) Property Voucher Register

The Property Voucher Register is to be maintained in such a manner to allow for comparison against the Monthly ADP Voucher Summary Report, Report No. 10. Relationship: The Property Voucher Register is your Check Book, th e Summary Report is your Bank Statement.

- a. The Property Voucher Register, Form HRS-31, shall be maintained in duplicate and voucher data recorded on both copies. Refer to Exhibit 5-6.10A(14) for a sample of a Property Voucher Register and detail instructions for completion.
- b. Unassigned or cancelled numbers must be explained (noted) in the reference column of the register.
- c. The statement "Serial Number _____ is the last number assigned during the accounting period ending _____ (date) "I will be made on the next line following the last voucher number assigned.
- d. A copy of the Property Voucher Register is to be forwarded to Area Finance at the end of each accounting period. The original shall be attached to the left side of the first voucher file folder containing vouchers for the month concerned.

5-6.3K continued

(5) Voucher Files

- a. Vouchers are to be, filled in numerical sequence, in a folder, and securely fastened. A new folder is prepared at the beginning of each month.
- b. Folders shall be identified with the following heading:
VOUCHER FILE FOR MONTH ENDING (date) .
- c. The voucher file is to be checked against the voucher register at the end of the month to ensure that a copy of all vouchers for the month are on file or else accounted for.

Unassigned and cancelled numbers within a series will be properly annotated in the reference column of the Property Voucher Register, and shall be identified in the file on a plain sheet of paper, in proper numerical sequence with the voucher number in the lower right hand corner.

(6) Voucher Documents

- a. The following documents are commonly used and will be assigned a voucher number, entered on the voucher register, and maintained in the voucher file.
 - (1) SF-44 - Purchase Order-Invoice Voucher
 - (2) SF-122 - Transfer Order-Excess Personal Property
 - (3) OF-347 - Order for Supplies or Services
 - (4) SF-344 - Multiuse Standard Requisition/Issue System Document (GSA)
 - (5) HRS-413 - Off Schedule Storeroom Issue Request
 - (6) HHS-22 - Property Action Request to Supply Officer, when used as a transfer or disposal document.
 - (7) HHS-365 - Inventory Adjustment
 - (8) HHS-394c - Record of Receipt for Supplies and Materials, which is a part of the Issue Book.
 - (9) OF-127 - Receiving and Inspection Report
 - (10) Any other document approved for use as a receiving report or issue document.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

S-6.3L, ISSUE OF STORES STOCK SUPPLIES - OTHER THAN CONTROLLED SUBSTANCES

(1) Stock Issue Order/Delivery Schedule

- a. A monthly order/delivery schedule shall be established and published for each activity that orders supplies from the Supply Service Center. The Supply Service Center is to set-up the order/delivery schedule, in cooperation with ordering activities; prior to September 1 of each year for use in the next fiscal year.
- b. The Inventory Management Unit is to maintain adequate controls/records to ensure that the order schedule is being followed by each ordering activity.

(2). Stock Issue Request Documents

- a. Preprinted Issue Book - The Preprinted Issue Book is computer generated for each ordering activity based on their assigned user code in February and August of each year. The issue book printed in August is for use October - March and the one printed in February is for use April - September. Refer to Report No. 26, Section S-6.6, of this Chapter for a sample of the Preprinted Issue Book.
 - (1) The preprinted issue book contains those items that have been issued to the user within the previous 12 months prior to the processing date or that contain a predetermined user level.
 - (2) Drug items with Pharmacy Code "R" or "N" and items with EOQ Type Code "Y" are not listed in the preprinted issue book.
 - (3) Issue books are to be maintained in a binder/folder with fasteners and contain the following information on the front cover.
 - (a) The issue book control number assigned. Example - Book #1.
 - (b) Name of the ordering activity.
 - (c) Sub-Station Code, User Code, CAN and Sub-Sub-Activity Code.
 - (d) A statement typed in capitalized letters: IF FOUND PLEASE RETURN IMMEDIATELY TO: (type the name and address of the facility).

5-6.3L, continued

- b. Form HRS-413, Issue Request for Stores Stock Supplies - This form is used to:

- (1) Order items that are not listed in the issue book;
- (2) Order items required by the using activity between regular scheduled issues; and
- (3) Used by the Inventory Management Unit to document telephone call in orders.

(3) Review of Stock Issue Request

- a. Issue Books - SSC, Inventory Management Unit, is to review each Issue Book to ensure:

- (1) That the supplies are being requested by an authorized individual.
- (2) That cupboardstock inventories are recorded.
- (3) Quantities being requested are reasonable and any unusual quantities should be clarified with the requesting facility.
- (4) That only approved additions/changes/deletions are made to the issue book.

- b. HRS-413, Issue Request - SSC, Inventory Management Unit, is to review each Issue Request to ensure:

- (1) That the supplies are being requested by an authorized individual.
- (2) The request contains complete accounting data.
- (3) That the Index Number and Unit of Issue are correct and that the order quantity is realistic.
- (4) That delivery requirements are stated on the request, e.g., mail, facility driver to pick up, delivery with regular monthly order, etc.

- c. Emergency/Urgent Issue Request - SSC, Inventory Management Unit, is to review Emergency/Urgent Issue Request to ensure:

- (1) That the supplies are being requested by an authorized individual.

5-6.3L. continued

- (2) The justification for the Emergency/Urgent Request is appropriate.
- (3) That complete accounting data and delivery requirements are included on the request.
- (4) Control/Processing of Issue Request - Inventory Management Unit
 - a. SSC, Inventory Management Unit, is to verify that all issue requests transmitted from a facility have been received. Any discrepancies are to be reconciled with the requesting facility.
 - b. Issue Books/Routine Issue Request
 - (1) Assign a separate voucher number to each issue request.
 - (2) Enter the items requested into the accounting **system** for computer generation of the Issue/Shipping/Invoice Document Report No. 70.
 - (3) Upon receipt of Report No. 70 from the ADP Operation Unit, verify that all items requested are listed on the Issue/Shipping/Invoice Document. Reconcile any discrepancies.
 - (4) Annotate on the Issue/Shipping Invoice Document control sheet the method of delivery/shipment to be used.
 - (5) Keep one (1) copy of the control sheet in the "Pending Issue File" and forward the rest of the Issue/Shipping/Invoice Document to the Warehousing Unit.
 - (6) Return Issue Books to the requesting facility and file HRS-4 13, Issue Request, in the facility order file.
 - (7) Upon receipt of the original copy of the Issue/Shipping/Invoice Document from **the** Warehousing Unit:
 - (a) pull your control sheet for that voucher from the "Pending Issue File" and verify that all of the Issue/Shipping/Invoice Document by storage locations are received back from the Warehousing Unit. Reconcile any missing parts with the Warehouse Supervisor;
 - (b) review the Issue/Shipping/Invoice Document to ensure that all computer generated issue quantities were issued. When the actual physical quantity issued is

5-6.3L continued

less than what is listed on the Issue/Shipping/Invoice Document as being available for issue will require:

- (1) a reversal transaction for the original entry and another transaction for the actual quantity issued; and
 - (2) a reconciliation of the accountability record balance to the actual physical balance.
- (8) File the original copy of the Issue/Shipping/Invoice Document in the voucher file.

c. Urgent/Emergency/Special Issue Requests HRS-413

- (1) Assign a voucher number to the issue request.
- (2) Keep one copy of the issue request in the "Pending Issue File" and forward the original and 1 copy to the Warehousing Unit.
- (3) Upon receipt of the original copy of the Urgent/Emergency/Special Issue Request back from the Warehousing Unit:
 - (a) enter the items issued into the supply accounting system as post-posted issued,
 - (b) pull the document copy from the Pending Issue File,
 - (c) file the original copy in the voucher file and the copy in the facility order file.

d. Back Order Release Document

- (1) Upon receipt of the Back Order Issue/Shipping/Invoice Document, Report No. 71, from the Computer Operations Unit:
 - (a) Annotate on the Back Order Issue/Shipping/Invoice Document control sheet the method of shipment/delivery to be used.
 - (b) Keep one (1) copy of the control sheet in the "Pending Issue File" and forward the rest of the Back Order Issue/Shipping/Invoice Document to the Warehousing Unit.

5-6.3L continued

- (2) Upon receipt of the original copy of the Back Order Issue/Shipping/Invoice Document back from the Warehousing Unit:
 - (a) Pull your control sheet for that voucher from the "Pending Issue File" and verify that the complete Back Order Issue/Shipping/Invoice Document has been received. Reconcile any discrepancies with the Warehouse Supervisor.
 - (b) Review the Back Order Issue/Shipping/Invoice Document to-ensure that computer generated issue quantities were physically issued. When the actual physical quantity issued is less than what is listed on the Back Order Issue/Shipping/Invoice Document as being available for issue will require:
 - (1) a reversal transaction for the original entry and another transaction for the actual quantity issued; and,
 - (2) a reconciliation of the accountable record balance to the actual physical balance.
- (3) File the original copy of the Back Order Issue/Shipping Invoice Document in the appropriate voucher file.

(5) Issue of Supplies - Warehousing Unit

a. Report No. 70, Issue/Shipping/Invoice Document

- (1) Upon receipt of the Issue/Shipping/Invoice Document from Inventory Management Unit, the Warehouse Supervisor:
 - (a) separates the Issue/Shipping/Invoice Document by Storage Location;
 - (b) annotates the document control sheet with the name of the person assigned to issue the supplies by Storage Location and date assigned;
 - (c) distributes the Issue/Shipping/Invoice Document to the employees assigned to do the stock pulling/issue; and
 - (d) files the control sheet in the "Pending Issue File".
- (2) Person assigned to issue the stock from inventory is to:

5-6.3L continued

- (a) physically pull the supplies from stock based on the quantity listed on the Issue/Shipping/Invoice Document as "Quantity Issued" for that item Unit of Issue;
 - (b) if the quantity pulled from stock is the same as the listed "Quantity Issued", place a red check mark next to the "Quantity Issued" ;
 - (c) if the quantity pulled from stock is lower than the listed "Quantity Issued", circle the listed "Quantity Issued" in red and annotate in red the actual quantity issued; (Note: Do not adjust "Quantity Issued" figure to standard pack quantities nor to the order quantity when the order quantity is higher than the "Quantity Issued".)
 - (d) sign and date the Issue/Shipping/Invoice Document and give the document to the checker for verification of supplies issued.
- (3) Person assigned to check the supplies pulled from stock prior to shipment should:
- (a) check. the supplies pulled from stock against the Issue/Shipping/Invoice Document;
 - (b) identify any differences found and resolve those differences with the person who issued the supplies;
 - (c) sign and date the Issue/Shipping/Invoice Document and forward to Warehouse Supervisor.
- (4) Warehouse Supervisor
- (a) Reviews the Issue/Shipping/Invoice Document for completeness.
 - (b) When the physical quantity issued is less than the listed "Quantity Issued", checks the physical stock to ensure that the item is not stored in another location and/or the item is not in the receiving area.
 - (c) If the item is found, issue out the proper quantity and correct the Issue/Shipping/Invoice Document.
 - (d) If the item is not found initial the Issue/Shipping/Invoice Document under the quantity required column of the item.

MANAGEMENT- SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3L. continued

- (e) Pull, the Voucher Number Control Sheet from the "Pending Issue File" and checks off the Issue/Shipping/Invoice Document received by Storage Location.
- (f) If the received Issue/Shipping/Invoice Document by Storage Location completes the total Issue/ Shipping/Invoice Document, separate the copies and forward the carbon copy with the shipment and the original copy to Inventory Management Unit.
- (g) If the received Issue/Shipping/Invoice Document does not complete the total Issue/Shipping/Invoice Document, attach the received document to the Voucher Number Control Sheet.

b. Urgent/Emergency Special Issue Request, HRS-413's

- (1) Upon receipt of the Urgent/Emergency/Special Issue Request, the Warehouse Supervisor:
 - (a) checks the Issue Request for completeness and delivery/shipping instructions;
 - (b) gives the Issue Request to a Warehouse Person for top priority issue.
- (2) Warehouse Person:
 - (a) Pulls the items requested from stock.
 - (b) Consults with the Warehouse Supervisor and/or Inventory Management Unit as to appropriate action to be taken when there is a difference between the quantity ordered and the quantity available for issue.
 - (c) Signs and dates the Issue Request and indicates method of delivery/shipment, If items are picked up by another person, have that person sign and date the Issue Request. Forward carbon copy of the Issue Request with items and the original to the Inventory Management Unit.

c. Back Order Issue/Shipping/Invoice Document, Report No. 71

- (1) The document flow and controls are the same as for Issue/Shipping/Invoice Documents, Report 70, excepts the Warehouse Supervisor must assign a higher issue priority to Back Order Issue/Shipping/Invoice Documents.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY -MANAGEMENT - CENIRAL~ OPERATIONS

5-6.3M RECEIPT OF SUPPLIES - OTHER THAN CONTROLLED SUBSTANCES

(1) The Warehouse Supervisor is responsible for assuring prompt receipt of supplies and completion of receiving reports. It is imperative that receiving reports be completed and forwarded to the Inventory Management Unit within 4-6 hours after receipt of the supplies. Late submission of receiving reports will result in:

- a. Supplies not being available for issue;
- b. Unnecessary generation of Back Order Issue/Shipping/Invoice Documents, Report No. 71;
- c. Unnecessary follow-up actions by the Procurement Unit and/or Finance;
- d. Delayed payment to vendors;
- e. Lost discounts which would have been a savings to the Supply Center operation;
- f. Formal complaints from vendors;
- g* Loss of good faith and rapport with vendors.

(2) Inspection

a. Upon receipt of an order via Motor Freight, the following checks should be made by the Designated Receiving Agent:

(1) Check total number of cartons received vs. total number

annotate the Freight Bill accordingly, as to total quantity over or short.

(2) Check all cartons received for apparent physical damages. If apparent physical damage exists, annotate the freight bills as to the quantity of cartons damaged. The freight bill/delivery receipt should be signed by the receiving agent and the carrier.

(3) If the shipment is from a Government Agency (VA, GSA, Perry Point, etc.), the procedures outlined in their catalogs should be followed on overages, shortages, and **damages**.

(4) If the shipment is from other than a Government Source, the vendor is to be contacted for replacement of shortages or damaged items, or for return of overages.

5-6.3M continued

- (5) Weights listed on GBL shipments are to be checked for accuracy.
 - b. Orders received via mail are handled in the same basic manner as orders received via Motor Freight in resolving overages, shortages, and damages.
 - c. A check for concealed damage is to be made as cartons are opened. If there is concealed damage, notify the carrier immediately by telephone, and request inspection of the materials. It is important that the material not be moved prior to inspection and the packaging material be retained for the carrier's review. The carrier should provide you a copy of the inspection report. Reporting of concealed damages are the same as outlined in 2.a.(3), (4), above.
 - d. The items received are to be directly compared to the specifications/description stated on the purchase document. If there are discrepancies, commercial vendors are to be notified by telephone and/or in writing and Government Agencies (VA, GSA, PP) as outlined in their catalogs. If there is any question as to whether or not the item received meets the order document specifications, assistance can be obtained from the Supply Service Center Director.
 - e. Any discrepancies are to be rectified prior to acceptance and placing into stores stock..
- (3) Direct Delivery Items - These items should be delivered to the ordering activity within 24 hours after receipt and the person authorized to receipt for supplies at the point of use is to sign and date the station voucher file copy of the receiving report. These items are not to be kept in the storeroom.
- (4) Stores Stock Items - These items should be placed into stock within 4-6 hours after receipt. The date received and the index number should be annotated on the cartons. Care should be taken in annotating items with the index number in order not to deface the manufacturer's labeling, as in most cases, the manufacturer will not accept a return when the labeling is defaced.
- (5) Receiving Reports
- a. Supply Contract: Complete and partial shipments received against a supply contract are to be documented on Form OF-127, Receiving and Inspection Report.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY. MANAGEMENT - CENTRAL OPERATIONS

5-6.3M continued

- b. Optional Form 347 - Order for Supplies or-services: OF-347, Order for supplies or services can be used to document complete or partial shipments received against the purchase order. If the majority of the items are received on the first shipment, then the OF-347 should be used to receipt for the partial shipment received and OF-127, Receiving and Inspection Report, would be used to receipt for further partial and final shipments. If the majority of the items are not received on the first shipment, OF-127 should be used to document the first partial receipt and any other partials and the OF-347 would be used to document the final shipment.
- c. Standard Form 344 - Multiuse Standard Requisitioning/Issue System Document: SF-344 is the prescribed form to be used in ordering from General Services Administration (GSA). The receiving report copies of SF-344 are to be used to document partial and final receipts as outlined for SF-147, above.
- d. Standard Form' 44A - Purchase Order/Invoice/Voucher: Is a purchase order designed primarily for on-the-spot over-the-counter purchase. The number 3 (pink copy is the receiving report.
- e. Surplus Commodities and Donated Items: Receiving reports for surplus commodities and donated items shall be receipted for on OF-127, Receiving and Inspection.
- f. Cash Purchases : Optional Form 127, Receiving and Inspection Report, shall be used to document purchases of supplies from Imprest Cash.
- g* Unrequired Supplies: Form HHS-22, Property Action Request to Supply Officer, is to be used to document receipt of unrequired supplies.
- h. Examples of receiving reports and distribution is contained in the following exhibits:
 - Exhibit 5-6.10A(29) - OF-127, Receiving and Inspection Report
 - Exhibit 5-6.10A(30) - OF-347, Order for Supplies or Services
 - Exhibit 5-6.10A(31) - SF-344, Multiuse Standard Requisitioning/Issue System Document
 - Exhibit 5-6.10A(32) - SF-44A, Purchase Order/Invoice/Voucher

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3M continued

Exhibit 5-6.10A(33) - HHS-22, Property ,Action Request to
Supply Officer

Exhibit 5-6.10A(,35) - Flow Charts of Various Documents

(6) Pricing

- a. Purchased Items - Price information contained on the receiving report shall be based on the actual purchase price, less any trade/quantity discounts.
- b. Donations and Surplus Commodities - Shall be priced out at the current estimated market value.
- c. Unrequired/Excess - Receipt price will be the price as shown on the transfer document.

(7) Certification and Coding

- a. All copies of receiving reports shall be manually signed.
Carbon copy facsimile signatures are not acceptable.

(8) GSA Handbook, Discrepancies or Deficiencies in GSA or DOD Shipment, Material, or Billing, is available from General Services Administration. Copies of this handbook may be obtained by submitting a completed GSA Form 457, FSS Publications Mailing List Application, in accordance with the instructions on the form. The mailing list code for this handbook is ODDH-0001. Copies of GSR Form 457 may be obtained from the GSA Regional Office.

(9) Forward receiving reports to the Inventory Management Unit.

(10) Inventory Management Unit:

- a. Review the receiving reports for accuracy. Check for:
 - (1) Vendor order quantities being properly converted to the Supply Center unit of issue quantities;
 - (2) any change in vendor packaging that may effect the Supply Center's unit of issue;
 - (3) proper receiving signature, accounting data, expiration dates, price extensions, etc.
- b. Assign voucher number-to the receiving report. Forward appropriate copies of the receiving report to Finance, Data Entry and PO file.

MANAGEMENT SERVICES

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3M continued

- C. Enter the items received into the supply accounting system, stamp copy cleared and file the receiving report copy in the voucher file.

5-6.3N CONTROLLED SUBSTANCES -ISSUING/RECEIVING

- (11) A Controlled Substance is a drug or medicine which is defined as such by the Drug Enforcement Administration (DEA). For the intent and purpose of these procedures it is those items that are classified as Schedule I, II, III, IV, V by DFA. Refer to Title 21 CFR, Chapter II, DEA, Department of Justice, Part 1308 for schedules of controlled substances.
- (2) Physical security of Controlled Substances shall be in accordance with storage procedures outlined in Title 21 CFR, Chapter II, DEA, Part 1301.72.
- (3) The Designated Receiving Agent is responsible for receipting for all incoming deliveries of Controlled Substances.
- (4) An employee or employees of the Supply Service Center shall be designated in writing by the Supply Service Center Director to be responsible for the stores stock inventory of Controlled Substances. If joint employee designation is made, one employee should be from the Inventory Management Unit and the other from the Warehousing Unit. Exhibit 5-6.10A(15), Acceptance/Transfer of Custody of Controlled Substances, will be used to record any change in custodial responsibility.
- (5) Prior to designating an employee to handle Controlled Substances, it is recommended that the employee screening procedures outlined in Parts 1301.90 - 1301.93, of Chapter II, 21 CFR, be followed.
- (6) The Supply Service Center Director is responsible for compliance with all appropriate DEA Regulations on Controlled Substances.
- (71) Stock Issue Request
 - a. DEA Form 222, U.S. Official Order Forms - Schedules I 6 II - This form is to be used to order any Schedule I or II Controlled Substances from stores stock inventory.
 - b. HRS-413, Issue Request for Stores Stock Supplies - This form is to be used to order only Schedule III, IV or V Controlled Substances from stores stock inventory.
 - C. Emergency/Urgent Telephone Orders - Emergency type orders may be called into the Inventory Management Unit by a

MANAGEMENT SERVICES

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3N continued

Registered Pharmacist, or a Doctor/Dentist who are registered by DEA FOR Schedule III, IV, or V Controlled Substances. Schedule I and II Controlled Substances can only be ordered/issued on DEA Form 222.

(8) Review of Stock Issue Request for Controlled Substances

- a. Inventory Management Unit is to review each request to ensure:
 - (1) That there is a current DEA Registration Certificate on file for the facility ordering the Controlled Substances and/or for the Doctor/Dentist.
 - (2) That the request is signed by 'a Registered Pharmacist and signed/approved by the Department Supervisor or next higher level authority. When no Pharmacist, must be signed by Doctor/Dentist who are registered by DEA.
 - (3) Quantities being requested appear to be reasonable and any unusual quantities are clarified with the ordering facility.

(9) Control/Processing of Issue Request for Controlled Substances - Inventory Management Unit

- a. Assign voucher number to the issue request.
- b. File one copy of the request in the "Pending Issue File - Controlled Substances".
- c. Forward the original, plus 2-copies, to the Custodial Officer(s) for Controlled Substances.
- d. Upon receipt of the original copy back from the Custodial Officer(s) for Controlled Substances, review for completeness, pull file copy from the "Pending Issue File - Controlled Substances". Annotate the copy with quantities issued and method of delivery/shipment. File the copy in the Controlled Substances File FY-xx.
- e. Enter the items issued into the supply accounting system as post-posted issues. File the original copy in the voucher file.
- f. Upon receipt of the signed copy back from the facility, file the signed copy in the Controlled Substances File FY-xx and destroy the pending copy. A Registered Pharmacist at the facility is to sign for all Controlled Substances. When no

CHAPTER 6
SUPPLY M4NAGEMENT - CENRAL OPERATIONS

5-6.3N continued

Pharmacist, the Doctor/Dentist who are registered with DEA are to sign for Controlled Substances.

(10) Issue of Controlled Substances - Custodial Officer(s) for Controlled Substances

- a. Physically pull the item from stock based on the quantity ordered for that item's unit of issue and;
 - (1) enter the quantity issued on the issue request document;
 - (2) enter the quantity issued on Form HRS-175, Perpetual Inventory of Narcotics and other Controlled Drugs (Form HRS-175 is to be maintained in accordance with Exhibit 5-6.10A(16)); and
 - (3) if the item is a controlled substance listed as Schedule I, II or, any narcotic substance in Schedule III, enter the issue information on ,DEA Form 333, ARCOS, (Automation of Reports and Consolidated Orders System).
- b. Sign and date the issue request document and annotate the method of delivery.
- c. Forward the two (2) carbon copies of the issue request document with the items to the facility. Forward the original copy to the Inventory Management Unit.

(11) Receipt of Controlled Substances

- a. The Designated Receiving Agent, after completing the receiving report, shall immediately deliver the controlled substances to the Custodial Officer(s) for Controlled Substances and obtain his/her signature(s) on the station voucher file copy of the, receiving report.
- b. The Custodial Officer(s) for Controlled Substances will place the items received into stock and post the receipts to Form HRS-175, Perpetual Inventory of Narcotics and Other Controlled Drugs. Form HRS-175 is to be maintained in accordance with Exhibit 5-6.10A(16). Forward the receiving reports to the Inventory Management Unit.
- c. If the item is a controlled substance listed as Schedule I, II or any narcotic substance in Schedule III, enter the receipt information on DEA Form 333, ARCOS.

CHAPTER 6

SUPPLY MANAGEMENT' - CENTRAL OPERATIONS

5-6.3N continued

(12) Inventory Management Unit

- a . Review the receiving reports for proper signatures, quantity conversions, expiration dates, price extensions, etc.
- b. Assign voucher number' to the receiving report. Forward appropriate copy to the receiving report to Finance, Data Entry, PO File and file a copy in the Controlled Substance File FY-xx,
- c. Enter the items received into the supply accounting system, stamp copy cleared and file the receiving report copy in the voucher file.

5-6.30 SECURITY

- (1) Supplies maintained in the stores stock inventory are accountable property of the Government and therefore, security must be maintained. The employee designated as the Custodial Officer for the facility is accountable for the supplies and is responsible for maintaining security in order to prevent loss, theft, and misuse of supplies.
- (2) Security of controlled substances, alcohols, precious metals, and other sensitive items shall be in accordance with security storage as outlined in the HHS Materiel Management Manual 103-27.6302(b) and as required by the Drug Enforcement Administration, CFR Title 21, Part 1300.
- (3) Only qualified and responsible personnel should be selected and assigned to supply operations. Proper personnel security checks should be made on all individuals applying for positions in a supply operation.
- (4) The controlled substances storage areas shall be accessible only to an absolute minimum number of specifically authorized employees.
- (5) Controlled access to all storage areas must be maintained at all times. When it is necessary for other employees and non-employees to be in a storage area, they are to be under observation by an employee of the supply operation.
- (6) Locks and safe combinations should be changed on a periodic basis and when there is a change in personnel who had keys and/or safe combinations.
- (7) The storage layout (bins, racks, etc.) should be in such a manner as to allow for visual control of the operation when possible.

5-6.3P WAREHOUSE

An Area Supply Service Center warehouse is used to store many different items with varying physical characteristics and storage requirements.

(1) Space Layout

- a. Planning a storage layout in terms of the supplies to be stored involves the intelligent and realistic application of the basic resource - space. The job becomes increasingly more difficult as space demands become more critical; therefore, the prime objective of warehouse planning is maximum utilization of available space. Consideration must be given to the following in the development of a warehouse space layout :

- (1) Office Space - Private or open office space.
- (21) Receiving Area - Space to check in and receipt for supplies.
- (3) Issuing/Shipping Area - Space to consolidate an order pending delivery or shipment.
- (41) Refrigeration Storage - Storage space for stock items that require refrigeration.
- (5) Security Storage - Space required for narcotics, controlled drugs, alcohol, precious metals, etc., that are stocked.
- (6) Flammable Storage - Space required for the storage of flammable liquids that are stocked.
- (71) Hazardous Materials - Space required for the storage of items classified as hazardous substances, such as, chemotherapy/cytotoxic drugs.
- 03) Bin Shelf Space - Bin space required for regular shelf type stock items. Type and size of bin shelves to be used, i.e., fixed or track mounted. Height of the bins should be as high as ceiling height allows. Depth of the bins should be 24" in lieu of the generally used 18" to allow for increased cubic space with little increase in floor space usage.
- (9) Bulk Space - Space required for the storage of stock items that are not suitable for bin shelf storage. Bulk racks should be used to take advantage of height. --- Remember space is vertical and not just horizontal.

MANAGEMENT SERVICES

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3P continued

- (10) Other factors: air conditioning and heating requirements; floorload capacity; traffic flow, and lighting.

(2) Stock Id

- a. Stock items are to be arranged in index number sequence within storage location. Drugs, subsistence, and general stores shall not be commingled.
- b. Stock items are to be placed in stock to allow for the oldest stock or the item with the earliest expiration date to be pulled/issued first.
- c. Bin labels are to be prepared in accordance with Exhibit S-6.101\ (26). Form PHS-4740-3, Bulk Stock Record, is to be used for the Bulk Location bin labels.
- d. The index number should be annotated on the item as it is placed into stock, when practicable. Do not deface the manufacturer's labeling on drug items as in most cases, the manufacturer will not accept a return when the labeling is defaced. Do not place stickers on drug containers where they may cover the Drug Name, Lot Number, Expiration Date or other Important Information.

(3) Care and Preservation of Supplies

- a. The amount and type of care required by any supply item depend upon its particular nature and characteristics. However, the warehouseman should have a general knowledge of methods that should be applied to obtain maximum stock preservation. It must be remembered that the preservation of most items is dependent on proper storage and turnover. In order to store properly, the warehouseman must know which items -
 - (1) Are explosive and/or highly flammable and classified as hazardous.
 - (2) Are Oxidizing agents (to be segregated from flammables and combustibles).
 - (3) Are normally stored in vault or security area.
 - (4) Are subject to damage by freezing.
 - (5) Require freezing temperature for preservation.
 - (6) Require normal refrigeration for preservation.

5-6.3P continued -

- (7) Are normally limited with respect to keeping time.
- (8) Are dangerous to handle for, miscellaneous reasons.
- b. Guides for the care of specific types of supplies are listed below. These guides are not all inclusive but do point up special storage requirements for certain supply items.
 - (1) Drugs - Special consideration must be given to the storage of drugs. Drugs should be stored in accordance with the manufacturer's specifications, especially those subject to liquidation, separation, and permanent suspension caused by high temperatures. Most drugs should be protected from freezing conditions.
 - (21) X-ray Film - X-ray film should be stocked in an upright position on edge as flat stacking causes pressure damage and accelerates deterioration. X-ray film is adversely affected by exposure to high temperature and humidity. Because of this, it must not be exposed to extremely high temperatures, (80 F to 120 F.) for even short periods of time. The ideal storage for x-ray film is an area having a temperature of approximately 55 F. with 50 percent relative humidity. Relative humidity above 60 percent will cause serious damage. Exposing the film to low temperatures has no detrimental effect, providing the humidity does not exceed 60 percent.
 - (3) Plastic and Rubber Goods - Plastic and rubber supply items should be stored in a cool, dry, dark, and well ventilated storage area. They should be kept free from oils, grease, dust and dirt. High temperatures may cause certain plastics and similar materials to flow and change shape.
 - (4) Subsistence - Areas having the lowest temperatures (but not below freezing), good ventilation, and minimum exposure to sunlight are preferred for the storage of wet-pack subsistence packed in cans or glassware. Dry-pack subsistence items such as flour, dried peas and beans, etc., should be stored in an area providing the least amount of heat.
 - (5) Storage areas selected for the warehousing of any subsistence stock should be free from roof leaks or other leaks which permit entrance of water or moisture. Subsistence stocks should not be stored in direct contact with walls or floors.

5-6.3P continued

(6) Food Storage Guide for Schools and Institutions as published by U.S.D.A., Exhibit 5-6.10A(27) outlines the storage requirements for various foods.

(7) Chemotherapy/Cytotoxic Drugs - These items are classified as hazardous substances and as such are to be stored separate from other items. The storage area is to be posted with a large warning sign and a sign detailing spill procedures.

(4) Insect and Rodent Control

- a. Insects annually destroy or render unfit for human consumption enormous quantities of food. As infestation may occur even under ideal warehouse conditions, it is only through constant vigilance and prompt action that losses from this cause may be prevented or held to a minimum. Refer to Exhibit 5-6.10A(28) for samples of insects that infest -stored subsistence.
- b. Rats and mice destroy or render unfit for human consumption enormous quantities of food each year. Control measures should be applied not only from an economic standpoint but also because these pests are menace to human health by spreading disease.
- c. Federal Food and Drug regulations prohibit the use, for human consumption, of food that has been contaminated by rodents. The presence of insects, their remains, or their excrement renders food products unfit for human consumption according to FDA standards. Therefore, subsistence items that have been infested by insects and/or rodents are not to be issued for use, but destroyed.

(5) Housekeeping and Fire Safety Practices

a. Housekeeping

- (1) Good housekeeping is recognized as an essential requirement for an efficient and economical warehouse operation. Some of the major benefits to be derived from the maintenance of good housekeeping practices are:

Conservation of space, equipment, operating materials, time, and effort;

Protection of supplies;

5-6.3P continued

Elimination of accident and fire hazards;

Increased employee morale.

- (2) The existence of poor housekeeping generally reflects negligence and carelessness. In most cases, this condition is traceable to inadequate supervision and failure to maintain the most elementary standards. For maximum operating efficiency, proper prestige, and for morale purposes, the maintenance of the highest standards of housekeeping and orderliness should be enforced in the warehouse at all times.
- (3) A fundamental rule of good housekeeping is that cleanup action should be considered as a part of the operation itself and carried out progressively rather than as separate periodic accomplishments. In other words, the proper time to clean up debris, scrape, etc., is as soon as practicable after such has accumulated. This does not eliminate the need for a periodic inspection and systematic cleanup such as an "end of the day" cleanup of the bin area, or a weekly sweeping of the entire warehouse.

b. Firesafety

- (11) "Fire consciousness" cannot be overemphasized, and like "safety" and "good housekeeping" should be integrated into everyday warehouse operation. Where adequate "fire consciousness" exists, and proper preventive measures are taken, fires seldom occur. In the event they do occur, prompt and proper protective action minimizes their seriousness. To assure prompt and proper protective action during any emergency requires a thorough knowledge of applicable fire protection regulations and equipment, together with the development of planned procedures and drills executed for practical effect.
- (2) Through a formulated fire plan, written procedures, training, posted notices, and periodic demonstrations and drills, all warehouse/supply personnel should become aware of the extreme importance of being "fire conscious". Each employee must know what he can do to eliminate conditions incident to the starting of fires, and what to do in case of fire. Specifically this understanding should include:

5-6.3P continued

- (4 General information of the local fire-prevention and fire-control regulations, the firefighting equipment installed in the building and its exact location and intended use.
 - (b) Familiarity of the storage and housekeeping practice, and any special hazards that exist.
 - k) How to identify and give a fire alarm promptly on discovery of a fire.
 - cd> How to use the various types of "first aid" fire extinguisher.
 - (e) Place in the plan for evacuation or auxiliary firefighting organization.
 - w Where smoking is permitted in the warehouse, and what locations, for safety purposes, are classified as non-smoking areas.
- (3) Supply personnel shall cooperate fully with the facility fire marshall and with the local fire department to obtain maximum technical assistance. Routine inspection of the warehouse by the facility fire marshall and or local fire department should be made and encouraged by supply personnel.

(6) Periodic Inspection

- a. To insure a good warehouse operation, a weekly and/or monthly inspection of the warehouse should be made. The inspection should be made by the SSC Director. These inspections will have the effect of assuring that:
 - (1) Oldest stocks are being issued first.
 - (2) Approved methods of storage and segregation are being
 - (3) The best method of preservation for each particular type of supply, such as protection against heat, odors, climatic conditions, dust, etc., is being utilized.
 - :(4) Damaged, deteriorated or infested supplies are segregated from other supplies, and that standard rodent and insect control is being enforced.
 - (5) Debris, scrap, etc., is being removed from aisles and storage areas.

5-6.3P continued

- (6) safety, security, and fire regulations are being
- (7) Supplies are being handled properly and safely.
- (8) Excess stock is reported promptly for disposition.

(7) Training/Orientation

- a. It is recommended that employees engaged in warehousing and in warehouse space layouts attend the General Services Administration (GSA) course on Storage and Materials Handling.
- b. Orientation should be given to all new employees as to their duties in the warehouse. The-orientation should include: fire, safety, and housekeeping. procedures and regulations; storage procedures; warehouse layout; any unsafe conditions in the warehouse should be pointed out, etc.

5-6.3Q DISPOSAL OF OUTDATED SUPPLIES

(1) Outdated Items in Stores Stock Inventory

a. Warehouse Supervisor:

- (11) Removes outdated stores stock items from stock and places them in a holding area pending final disposition. (Note: Controlled Substances will be handled by the Custodial Officer for Controlled Substances).
- (2) Completes the Warehouse Action section of the outdated Stores Stock Disposal Worksheet, Exhibit 5-6.10A(19), original and 2 copies. Assigns the next available control number from Register of Worksheet Control Numbers Assigned, Exhibit 5-6.10A(21), to the Outdated Stores Stock Disposal Worksheet: Place one (1) copy of **the** worksheet with the outdated supply, forward the original, plus 1 copy, to the Inventory Management Unit.
- (31) Upon receipt of the original copy of the Outdated Stores Stock Disposal Worksheet from the Procurement Unit and/or Supply Service Center Director, take the following action:
 - (a) Non-Returnable Items - Review the Outdated Stores Stock Disposal Worksheet for proper signatures; obtain witnesses; destroy item(**s**) state method of destruction used on reverse side of the worksheet; you and the witnesses sign and date the worksheet;

5-6.3Q continued

and return the original Outdated Stores Stock Disposal Worksheet to the Procurement Unit.

(1) Items shall be destroyed in such a manner as to ensure total destruction of the items to preclude the utilization of any portion thereof. The destruction shall be in accordance with Federal, State, and local air and water pollution control standards.

(2) Chemotherapy/Cytotoxic drugs must be disposed of in accordance with applicable regulations as they are regarded as toxic (hazardous) wastes.

(b) Returnable Items - Follow the method of Return as indicated on the worksheet, i.e., parcel post, registered mail, prepaid express, GBL, etc. Pack the items, for return, forward to vendor, sign and date the worksheet as mailed by, and return the original Outdated Stores Stock Disposal Worksheet to the Procurement Unit. When items are picked up by the vendor representative, have that person sign and date the worksheet as picked up by.

b. Custodial Officer for Controlled Substances:

(1) Removes outdated Control Substance stores stock items from stock and places them in a holding area pending final disposition.

(2) Completes the Warehouse Action section of the Outdated Stores Stock Disposal Worksheet, Exhibit 5-6.10A(19), original and 2 copies. Obtains Worksheet Control Number from Warehouse Supervisor. Place one (1) copy of the worksheet with the outdated items and forward the original, plus 1 copy, to the Inventory Management Unit.

(3) Upon receipt of the original copy of the Outdated Stores Stock Disposal Worksheet back from the Procurement Unit, take the following action.

(a) Non-Returnable Items - Pack and send by registered mail to the Special Agent in Charge of the DEA District Office that serves your location. Include copy of DEA Form 41 with shipment. Post the transfer to your perpetual inventory record, HRS-175. Sign and date the worksheet as mailed by

5-6.3Q continued

and annotate the registered mail receipt number in method of return block. Return the original Outdated Stores Stock Disposal Worksheet to the Procurement Unit.

- (b) Returnable Items - Pack and send by registered mail to the vendor. Include any required documents with shipment. Post the return to your perpetual inventory record, HRS-175. Sign and date the worksheet as mailed by and annotate the registered mail receipt number in method of return block. Return the original worksheet to the Procurement Unit. Note: When items are picked up by the vendor representative, have that person sign and date the worksheet as picked up by.

c. Inventory Management Unit:

- (1) Initiates emergency purchase action for the item, if
- (2). Completes the Inventory Management action section of the Outdated Stores Stock Disposal Worksheet.
- (3) Prepare and process Inventory Adjustment Document, HHS-365. Refer to Exhibit 5-6.1OA(23) for a sample document.
- (4) Forward the original, plus -1 copy, of the Outdated Stores Stock Disposal Worksheet to the Procurement Unit.

d. Procurement Unit:

- (1) Enter appropriate data on Supply Disposal Log. Refer to Exhibit 5-6.1OA(37) for a sample Disposal Log.
- (2) Determines whether or not the item is returnable to the vendor for credit/exchange.
- (3) If item is not returnable - Non-Controlled Item:
 - (a) Check Non-Returnable block, sign and date the worksheet. Keep the copy in a "Pending Disposal File" and forward the original Outdated Stores Stock Disposal Worksheet to Supply Service Center Director.
 - (b) Upon receipt of the original Outdated Stores Stock Disposal Worksheet back from the Warehousing Unit:

5-6.3Q continued

- (1) checks the worksheet to ensure that all required signatures are complete;
 - (2) pull ,and.destroy copy from "Pending Disposal
 - (3) completes the Supply Disposal Log and files the original Outdated Stores Stock Disposal Worksheet in the "Outdated Item Disposal File".
- (4) If item is not returnable - Controlled Substances:
- (a) Complete the DEA Form 41 per instructions contained on reverse side of form. Refer to Exhibit 5-6.1OA(4) for a sample form.
 - (b) Mail the original and 1 copy of DEA Form 41 to Special Agent in Charge of the DEA District Office that serves your location.
 - (c) Forward 1 copy of DEA Form 41 and the original Outdated Stores stock Disposal Worksheet to the Custodial Officer(s) for Controlled Substances.
 - (d) File one copy of DEA Form 41 and one copy of the worksheet in the "Pending Disposal File".
 - (e) Upon receipt of the original Outdated Stores Stock Disposal Worksheet back from the Custodial Officer for Controlled Substances, replace the copy in the "Pending Disposal File" with the original copy.
 - (f) Upon receipt of the signed copy of DEA Form 41 from DEA, pull the pending copies from the "Pending Disposal File", complete the Supply Disposal Log; forward the DEA signed copy of Form 41 to Inventory Management for filing in the "Controlled Substance File FY-xx; and file the original worksheet and copy of DEA Form 41 in the "Outdated Item Disposal File".
- (5) If item is returnable:
- (a) Obtains appropriate approval/document from vendor for items that are to be returned for credit/exchange.

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3Q continued

- (b) Consults with Inventory Management Unit on items to be acquired, if exchange, and advises them on other returns.
- (c) On replaced/exchange items prepare HHS-365, Inventory Adjustment, and forward to Warehousing Unit for their use as a receiving report. Refer to Exhibit 5-6.10A(38) for a sample document.
- (d) Complete the Procurement Action section of the Outdated Stores Stock Disposal Worksheet. Forward the original to the Warehouse Supervisor and file the copy in the "Pending Disposal File".
- (e) Upon receipt of the original Outdated Stores Stock Disposal Document back; pull and destroy copy from "Pending Disposal File"; complete the "Supply Disposal Log"; and file the original worksheet in the "Outdated Item Disposal File".
- (f) It is suggested that a separate file be established for "Vendor Credit Memos". Credit Memos should be applied to next purchase order to that vendor.

(2) Outdated Items Returned from Individual Facilities/Service Units

a. Receiving Agent - Supply Service Center:

- (1) Receipts for incoming shipments of outdated returns from facilities. Completes date received and received by columns of Warehouse section of the Outdated Supply Disposition Record, Exhibit 5-6.10A(56). Returns one (1) copy of the Outdated Supply Disposition Record to the shipping facility.
- (2) Gives the items received and the original plus 2 copies of the Outdated Supply Disposition Record to the Warehouse Supervisor for Non-Controlled Items and for Controlled Items to the Custodial Officer(s) for Controlled Substances.

b. Warehouse Supervisor:

- (1) Places the items in holding area pending final disposition; annotates stored location on outdated Supply Disposition Record; assigns next available control number from the Register of Worksheet Control Numbers assigned to the record; place one (1) copy of

5-6.3Q continued

the record with the outdated items; and forwards the original; plus 1 copy of the Outdated Supply Disposition Record to the Procurement Unit.

- (2) Upon receipt of the original copy of the Outdated Supply Disposition Record back take the following action.
 - (a) Non-Returnable Items - Review the Outdated Supply Disposition Record for proper signatures; obtain witnesses; destroy item(s) state method of destruction used on reverse side of the worksheet; you and the witnesses sign and date the worksheet; and return the original Outdated Supply Disposition Record to the Procurement Unit.
 - (1) Items shall be destroyed in such a manner as , to ensure total destruction of the items to preclude the utilization of any portion thereof? The destruction shall be in accordance with Federal, State, and local air and water-pollution control standards.
 - (2) Chemotherapy/Cytotoxic drugs must be disposed of in accordance with applicable regulations as they are are regarded as toxic (hazardous) **wastes**.
 - (b) Returnable Items - Follow the method of Return as Indicated on the record, i.e., parcel Post, registered mail, prepaid express, GBL, etc. Pack the items for return, forward **to** vendor, sign and date the worksheet as mailed by, and return the original Outdated Supply Disposition Record to the Procurement Unit. When items are picked up by the vendor representative, have that person sign and date the record as picked up by.

C. Custodial Officer(s) for Controlled Substances

- (1) Places the items in the security storage area; obtain worksheet control number from Warehouse Supervisor; place one (1) copy of the record with the items; and forwards the original plus 1 copy, to the Procurement Unit.
- (2) Upon receipt of the original copy of the Outdated Supply Disposition Record back from the Procurement Unit, take the following action.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3Q continued

- (a) Non-Returnable Items - Pack and send by registered mail to the Special Agent in Charge of the DEA District Office that serves your location. Include copy of DEA Form 41 with shipment. Sign and date the worksheet as mailed by and annotate the registered mail receipt number in method of return block. Return the original Outdated Supply Disposition Record to the Procurement Unit.
 - (b) Returnable Items - Pack and send by registered mail to the vendor. Include any required documents with shipment. Post the return to your perpetual inventory record, HRS-175, Sign and date the record as mailed by and annotate the registered mail receipt number in method of return block. Return the original record to the Procurement Unit. Note: When items are picked up by the vendor representative, have that person sign and date the worksheet as picked up by.
- d. Procurement Unit:
 - (1) Enter appropriate data on Supply Disposal Log. Refer to Exhibit 5-6.10A(37) for a sample Disposal Log.
 - (2) Determines whether or not the item is returnable to the vendor for credit/exchange.
 - (3) If item is not returnable - Non-Controlled Item:
 - (a) Check Non-Returnable block, sign and date the worksheet. Keep the copy in a "Pending Disposal File" and forward the original Outdated Supply Disposition Record to Supply Service Center Director and Area Executive Officer for approval for destruction.
 - (b) Upon receipt of the original Outdated Supply Disposition Record back from the Warehousing Unit:
 - (1) checks the worksheet to ensure that all required signatures are complete;
 - (2) pull ,and destroy copy from "Pending Disposal
 - (3) completes the Supply Disposal Log and files the original Outdated Supply Disposition Record in the "Outdated Item Disposal File".

5-6.3Q continued

(4) If item is not returnable - Controlled Substances:

- (a) Complete the DEA Form 41 per instructions contained on reverse side of form. Refer to Exhibit 5-6.10A(4) for a sample form.
- (b) Mail the original and 1 copy of DEA Form 41 to Special Agent in Charge of the DEA District Office that serves your location.
- (c) Forward 1 copy of DEA Form 41 and the original Outdated Supply Disposition Record to the Custodial Officer(s) for Controlled Substances.
- (d) File one copy of DEA Form 41 and one copy of the worksheet in the "Pending Disposal File".
- (e) Upon receipt of the original Outdated Supply Disposition Record back from the Custodial Officer for Controlled Substances, file the copy in the "Pending Disposal File" with the other pending copies.
- 01 Upon receipt of the signed copy of DEA Form 41 from DEA, pull the pending copies from the "Pending Disposal File", complete the Supply Disposal Log; forward the DEA signed copy of Form 41 and the copy of the Outdated Supply Disposition Record to Inventory Management for filing in the "Controlled Substance File FY-xx"; and file the original record and copy of DEA Form 41 in the "Outdated Item Disposal File".

(5) If item is returnable:

- (a) Obtains appropriate approval/document from vendor for items that are to be returned for credit/exchange.
- (b) If exchange, consults with Inventory Management Unit on items to be acquired.
- (c) On replaced/exchange items prepare HHS-365, Inventory Adjustment, and forward to Warehousing Unit for their use as a receiving report. Refer to Exhibit 5-6.10A(38) for a sample document.
- (d) Complete the Procurement Action section of the Outdated Supply Disposition Record. Forward the

5-6.3Q continued

original to the Warehouse Supervisor and file the copy in the "Pending 'Disposal File".

(e) Upon receipt of the original Outdated Supply Disposition Record back; pull and destroy copy from "Pending Disposal File"; complete the "Supply Disposal Log"; and file the original worksheet in the "Outdated Item Disposal File".

(f) It is suggested that a separate file be established for "Vendor Credit Memos". Credit Memos should be applied to next purchase order to that vendor.

5-6.3R DISPOSAL OF DETERIORATED/ DAMAGED STOCK ITEMS

- (1) Items in stores stock inventory which are deteriorated/damaged or otherwise unusable are to be removed from stores stock and placed in a holding area pending final disposition.
- (2) Controlled Substances which are deteriorated/damaged or otherwise unusable are to be sent to the Special Agent in Charge, DEA District Office, that serves your location. Refer to procedures outlined in 5-6.3Q.
- (3) Items that are deteriorated/damaged are to be listed on HHS-365, Inventory Adjustment Document. The initiator of the HHS-365 is to include a complete statement in block 6 as to what is wrong with the item.
- (4) Once approval is obtained (block 7), the item(s) are to be disposed of per approval.
- (5) Items approved for disposal by destruction shall be destroyed in such a manner as to ensure total destruction of the items to preclude the utilization of any portion thereof. The destruction shall be in accordance with Federal, State, and local air and water pollution control standards.
- (6) Chemotherapy/cytotoxic drugs must be disposed of in accordance with applicable regulations as they are regarded as toxic (hazardous) wastes.
- (7) Refer to Exhibit 56.10A(41) for a sample disposal by destruction document.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3S AUTHORITY TO APPROVE SUPPLY DISPOSALS BY DESTRUCTION

- (1) The Area/Program Director, his/her Deputy Director or Executive Officer, may approve of disposal by destruction within the following limitations by category.
 - a. Controlled Substances - Any accumulation of controlled substances having a total acquisition value of less than \$500, provided that the Regional Director, DEA, has approved the item(s) for local destruction.
 - b. Drugs, Biologicals, and Reagents - Any accumulation which includes open or broken containers having a total acquisition value of less than \$500 per manufacturer's lot or batch number and does not exceed \$1,000 per line item.
 - c. Other Expendable Stock Items - Any accumulation having a total acquisition value of less than \$1,000 per line item.
- (2) Chief, Materiel Management Branch, HRSA, is the approving authority when the authority of the Area/Program Director would be exceeded. Refer to Exhibit 5-6.10A(42)
 - a. Forward the original and two (2) copies of the HHS-365, with any other supporting documents, to Chief, Supply Management Branch, IHS, for processing to HRSA when the authority of the Area/Program Director would be exceeded.

5-6.3T PRODUCT RECALLS

- (1) The Supply Service Center Director is to designate an individual to handle Product Recalls.
- (2) Immediate action is to be taken by the Supply Service Center to remove recalled item from stock inventory and to notify the users of the item.
- (3) CLASS I - RECALL - A situation in which there is a reasonable possibility that the use of, or exposure to, a product will cause serious, adverse health consequences or death.
 - a. Notify primary users directly by telephone. Send follow-up memorandum to each facility.
- (4) CLASS II - RECALL - A situation in which the use of, or exposure to, a product may cause temporary or medically reversible adverse health consequence or where the possibility of serious adverse health consequences is remote.
 - a. Notify each facility Property and Supply Officer by telephone and also provide the known users. Send follow-up memorandum to each facility.

5-6.3T continued

- (5) CLASS III - RECALL - A situation in which the use of, or exposure to, a product is not likely to cause adverse health consequences.
 - a. Notify facilities by memorandum.
- (6) Disposal of recalled products is to be in accordance with instructions provided in the recall notice. HHS-365 or HHS-22 can be used to document the disposal and to adjust the inventory records.
- (7) A file is to be maintained on all Product Recalls and action taken.

5-6.3U QUALITY CONTROL/ASSURANCE PROGRAM

- (1) A Quality Control/Assurance Program for supplies is to be established. Such a program would assess if the Supply Service Center is providing products of acceptable quality to users, identify problems and provide for corrective action where necessary.
- (2) Goals and Objectives of the Quality Control/Assurance Program:
 - a. To ensure that supplies are rendered worthy and acceptable for their proper use.
 - b. To ensure that supplies are stored and handled properly so users will receive them with quality intact.
 - c. To ensure that supplies are purchased that will meet pre-determined specifications and qualities.
 - d. To ensure that drugs are purchased from vendors whose products are therapeutically bioequivalent to one another.
 - e. To make changes and improvements where necessary in the quality of supplies to provide safe and effective items.
 - f. To establish and maintain a quality-conscious environment.
- (3) Quality Control Coordinator:
 - a. A Quality Control Coordinator is to be appointed for each Supply Service Center.
 - b. The Coordinator shall be responsible for the following:
 - (1) Investigating and evaluating Quality, Complaint/Improvement Reports.

MANAGEMENT SERVICES

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SUPPLY MANAGEMENT- OPERATIONS

5-6.3U continued

- (2) Processing of all quality complaint reports.
- (3) Institute and coordinate changes where necessary to correct problems.
- (4) Conduct random sampling of supply items to ensure that items meet product specifications and quality.
- (5) Assist warehouse supervisor in establishing, monitoring and maintaining a warehouse quality control program.
- (6) Assist procurement staff in understanding product specifications and drug therapeutic bioequivalence and their importance.
- (7) Provide consultation and information to health professionals on supply items stocked in the Supply Service Center.
- (8) Maintains records, on Quality Complaints received and action taken.

.(4) Reporting of Quality Control Complaints

- (a) Service Units are to report any complaints on the "Quality Complaint/Improvement Report Form, Exhibit 5-6.10A(57).
Note: Users should be notified of action taken to correct resolve problems they report.

- (b) Quality Control Coordinator submits item complaints as
:

- (1) VA Supply Items - Submit a Quality.Improvement Report, SF-380, to the VA Marketing Center.
- (2) Perry Point Items - Submit a Quality Improvement Report, SF-380, to Director, Supply Service Center, Perry Point.
- (3) GSA Items - Submit a Quality Deficiency Report, SF-368, to GSA.
- (4) Drugs, Medical Devices and Laboratory Products - Report problems to the USP Product Problem Reporting Program (1-800-638-6725)
- (5) Other Items - Contact vendor sales representatives or the vendor, Quality Assurance Staff.

5-6.3U continued

(5) Warehouse Quality Control:

- a. Storage guidelines should be established and followed. See Section 5-6.3P for examples of guidelines on product storage.
 - b. Storage areas should be routinely inspected by the Area Sanitarian for adequate storage of subsistence items; insect and rodent infestation; dented and leaking cans; etc.
 - c. There should, be routine temperature monitoring of warehouse refrigerators and storage areas. The installation of temperature monitoring alarms may be helpful.
 - d. Packing guidelines should be established for warehouse workers to follow, i.e., cleaning supplies should not be packed in a container/box with other items.
 - e. Expiration dates of products should be routinely checked and monitored. utilizing Report No. 24, Supply Expiration Report.
 - f. Rotation guidelines should be established for warehouse workers to follow. Last in, last out is not always the best policy. Items should also be warehoused and rotated according to expiration dates.
 - g. Issuing guidelines on certain items should be established for warehouse workers to follow, i.e., canned food items with dents along the seam, leaking or swollen should not be issued.
 - h. Inservice training for warehouse workers should be ongoing to instruct them in the proper handling of sterile items and the reason for such; proper handling of any dangerous items; etc.
- (6) Specifications and qualities that are needed in each item should be predetermined to avoid problems with obtaining unusable supplies or supplies of poor quality.
- (7) Drug Bioequivalence - Procurement agents should routinely utilize the FDA Publication "Approved Prescription Drug Products with Therapeutic Equivalence Evaluations" when changing drug vendors to ensure a drug is purchased that is therapeutically bioequivalent to the one previously being purchased.
- (8) Random sampling should be done on a scheduled basis to ensure that items meet product specifications and quality. Efforts should be concentrated on items obtained from non-Government sources; the VA and GSA depots also conduct random sampling.

5-6.3V AREA SUPPLY COMMITTEES

- (1) Area Supply Committees are to be established for each of the following supply categories/specialties, as appropriate.
 - a. Dental Supplies
 - b. Drugs and Pharmaceuticals
 - c. Housekeeping Items
 - d. Laboratory Supplies
 - e. Medical Supplies
 - f. Subsistence and Dietary Supplies
 - g. X-Ray Supplies
- (2) Committees in other categories/specialties can also be established as needed.- These committees may also be referred to as Standardization Committees, Cost-Containment Committees, or other similar terminology.
- (3) Goals and objectives of each supply committee is to:
 - a. Improve supply efficiency and provide a more economical service.
 - b. Determine standard products and sizes that can be utilized by all or **most** facilities within the Area and stocked by the Supply Service Center.
 - c. Set standards of product acceptability.
 - d. Reduce the number of essentially identical products **that** are stocked and purchased by the Supply Service Center and the Area.
 - e. Monitor the usage of supplies within the Area and make recommendations to the appropriate administrative personnel and to the Supply Service Center.
 - f. Serve as a link between the supply management function and the providers of health care.
 - g. Assist department heads in understanding mutual problems in reference to supplies.
 - h. Keep the Supply Center, Service Unit, supply staff, and administration informed and abreast of changes in products.

MANAGEMENT SERVICES

CHAPTER 6

'SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3V continued

- i. Evaluate the voluminous and continuous flow of new and improved products.
- 5 Provide the mechanism to ensure an improved level of patient care through product evaluation with emphasis on the quality of care and the containment of costs.
- k. Reduce the expense of educating and training personnel to the many and varied products and techniques through standardization.

(4) Committee Representation:

- a. Area Supply Committees should include representation by both Area Office personnel and Service Unit personnel. It is also advisable to have field clinic representation where appropriate and possible.
- b. Committee members should be individuals who are experienced, knowledgeable, and well respected in their field of expertise.
- c. Each committee should consist of at least three members, but no more than 6-7 members for maximum effectiveness. Committee members should be approved and appointed by the Area Director. Refer to Exhibit 5-6.10A(58) for a sample letter.

(5) Area Supply Committee Coordinator:

- a. Each Supply Service Center is to have a person designated as the Supply Committee Coordinator. The Coordinator shall be responsible for the following:
 - (1) Arranging committee meetings
 - (2) Preparing agendas-
 - (3) Conducting meetings
 - (4) Writing meeting summaries
 - (5) Working with Supply Center staff to institute changes
 - (6) Notifying users of supply changes
 - (7) Following up to ensure changes are made
 - (8) Preparing and maintaining the Supply Service Center, supply catalog

5-6.3V continued

(9) Recommending supply committee members to the Area Director.

- b. The Coordinator should be a health professional, such as a Pharmacist to enable this person to relate to other health professionals in a more efficient and effective manner.
- c. The Coordinator should have experience in hospital/clinic settings and have a basic knowledge and understanding of Government Property and Procurement regulations. He/she should also have an understanding of inventory management and warehouse principles.
- d. The Coordinator must be able to communicate well with all types of people and be persuasive to accomplish the objectives of the program.

(6) Committee Meetings:

- a. Area Supply Committees should meet at least annually and more often as determined necessary to accomplish the program objectives. These committee meetings can many times be conducted just prior to or after other area meetings to reduce travel and per diem costs.
- b. A typical Committee meeting should include some or all of the following:
 - (1) Review of all supply items in stores stock that fall within the committee's expertise. Review should include:
 - (a) Continued need for the item.
 - (b) Product specifications and need for any change.
 - (c) Usage by location and department (Supply Reports NO. 80 & No. 47 provides this information).
 - (d) Product Costs.
 - (e) Units of Issue.
 - (f) Other topics as determined necessary by the committee.
 - (2) Review and approve/disapprove New Stock Item Requests as submitted to the Committee Coordinator. Committee may recommend a further evaluation or cost study be conducted before a final approval/disapproval is made.

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3V continued

Several publications are available to assist the committee in evaluating supply items including the Health Devices Journal (published monthly by ECRI), Evaluation of New Products (published periodically by the VA Marketing Center), etc. One of the more important objectives is to avoid adding unnecessary item duplications.

- (3) Determine essential specifications and qualities needed in new supply items. The committee should be cautious not to include standards not really needed to contain cost where possible.
 - (4) Address problems with supply items as presented by the Supply Committee Coordinator or committee member(s).
 - (5) Conduct value analysis comparisons and studies. This is finding items to accomplish the same end means at a lower cost without any loss in quality.
 - (6) Make recommendations to other Area Supply Committees, Supply Service Center personnel, and area administration as appropriate.
- c. Each committee meeting may be attended by other personnel, however, they should be considered non-voting members. It is beneficial to have the Procurement Agent and the Inventory Management Specialist from the Supply Service Center attend these meetings as resource people. It is recommended, as a general rule, that vendor sales representatives not be allowed to attend meetings unless the committee members agree **to** them attending for **a** specific purpose prior to the meeting.

(7) Reports:

- a. A summary of each meeting is to be written by the Supply Committee Coordinator and submitted to the Area Director. Copies distributed to all committee members. Supply Service Center staff, to other appropriate personnel, and to other Area Supply Service Centers. Refer to Exhibit 5-6.10A(59).
- b. The Supply Committee Coordinator is to submit an annual report to the Area Director summarizing the accomplishments of the committees, problems, recommendations for future changes and improvements.

(8) Potential Benefits of Supply Committees

5-6.3V continued

a. Potential Cost Savings:-

- (1) Cost savings through elimination of essentially identical items.
- ^L (2) cost savings through quantity discounts.
- (3) Cost savings through value. analysis.
- (4) Cost savings through strengthened negotiating power with vendors (open market items).
- ^f (5) Cost savings through utilization reviews. Supply committees many times discover misuse or excessive use of certain supply items. Reasons, for these can be identified and possibly corrected resulting in cost savings.
- (6) Cost savings through equipment standardization.

b. Potential Benefits of Standardization:

- (1) Standardization usually eliminates problems caused by insufficient order quantities to meet minimum order requirements.
- (2) Standardization establishes a logical inventory without unnecessary duplications. It establishes a formulary of products approved for use in the Area.
- (3) Standardization can reduce losses due to outdated merchandise because of faster stock turnover.
- (4) Standardization prevents the introduction of new products that will duplicate those currently in use.
- (5) Supply Standardization can serve to standardize procedures so that methods of application are identical throughout the Area.
- (6) Standardization can establish a common goal among departments at different facilities previously insulated from one another. All feel like they are doing their part for cost savings and improved efficiency.
- (7)** Standardization can enhance the development of product specifications and standards of acceptability which ensure the same item will be purchased each time.

5-6.3V continued

- (8) Standardization can remove the pressure of approving/disapproving items away from one person/department and puts the responsibility on a committee of users.
- (9) Standardization can establish a means of communication between users, departments, facilities, management, Supply Service Center, vendors, etc.
- (10) Standardization can provide for peer review of items by "experts" in the field and reduces preferences and frivolous complaints and problems.
- (11) Standardization can provide an effective structure to meet today's need in a cost effective way.
- (12) Standardization can reduce carrying costs involved with inventory control.
- (13) Standardization can lead to improved vendor service. Company representatives want to keep the business and are more willing to provide inservice and answer all questions regarding their items.

5-6.3W NEW STORES STOCK ITEM

- (1) In general, recurring use items that lend themselves to a storage and distribution system should be maintained in the stores stock inventory system. This reduces the cupboard stock storage requirements, provides planned procurement, and establishes detail usage and cost records.
- (2) Drug items maintained in the stores stock inventory system must have been approved by the Service Unit and/or Area Pharmacy and Therapeutics Committee. Requests for other items to be stocked should be approved by one of the Area Supply Committees.
- (3) An item may be requested for inclusion into the stores stock inventory at any time by the consumer (through the Service Unit Supply Dept.), Service Unit Supply/Standardization Committee, Area Supply/Standardization Committee, or other Area Pharmacy and Therapeutics Committee.
- (4) The New Item Request form is to be used to request items to be added to the stores stock inventory system. This form is to be completed in accordance with Exhibit 5-6.10A(34) and forwarded to the Supply Service Center. Upon receipt of the form, it should be reviewed by the Supply Committee Coordinator to determine if the item is a duplicate item or if a suitable substitute item is

MANAGEMENT SERVICES

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3W continued

- already in stores stock. Every attempt possible should be made to reduce, restrict, or contain the number of essentially duplicate items through standardization. The request may be referred to the appropriate Supply Committee Members for a decision or placed on the agenda at the next meeting.
- (5) The following criteria are some that should be considered when determining if an item should be a stores stock item:
- a. Multiple Users - The greater the number of users, the greater the need to be a stores item. A questionnaire may be distributed to all facilities to determine if other users have a need for the item and to gather anticipated usage.
 - b. Heavy Volume/Frequent Use - An item should have six or more calls per year and should have been procured as a direct issue item with proven usage history (items should not be stocked solely on the assumption that such an addition will save money).
 - c. Annual Issue Value - Should be at least \$100 or more per year.
 - d. Shelf Life - Should have six months or more dating (shelf life).
 - e. Storage Requirements - Item size should be considered (bulky items should receive higher priority).
 - f. Length of Time on the Market - New products should be stable on the market prior to addition to stock (generally this means 2-3 years of use and no safety problems).
 - g. Safety Factor - Safety in handling and storage should be considered.
- (6) If the decision is made not to add the item to stores stock, the New Item Request form should be returned to the requisitioner with an explanation of the reasons why it was rejected.
- (7) If the item is approved for addition to stores stock, it is submitted to the Inventory Management Unit for index number assignment and completion. The Inventory Management staff should coordinate the assignment of the index number with the Warehouse Supervisor to ensure a number is assigned where space is available to avoid unnecessary rewarehousing.
- (8) The Inventory Management staff should determine if an excessive amount of consumer's stock is on hand (quantity over 30-day supply) and coordinate the transfer of the excessive amount to

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5.06.3W continued

the Supply Service Center; The Inventory Management staff should determine the purchase quantity required and prepare a requisition for start-up stock. Based on the quantity returned to stock and the projected usage, it may not be necessary to immediately purchase the item. A bin label should also be prepared.

- (9) The procurement staff should prepare a procurement card for the item and purchase the item if necessary.
- (10) A memorandum should be initiated to all consumers informing them the item will be available as of (date) or is currently available.
- (11) The authorization to transfer funds from a Service Unit's direct issue account to the Supply Service Center for stores stock purchases is done according to the usual mechanism within each respective Area.
- (12) When an Area Supply Committee identifies/determines that a new product has advantages (cost, clinical, safety, etc.) over an item in stock at the Supply Service Center, it is assumed that all users will switch to the new product. Every attempt should be made to use up or return the previous product to the vendor before making the new item available.

5-6.3X DATED ITEMS'

- (1) On stores stock items received that contain an expiration date, the expiration date, calendar month and calendar year, is to be annotated on the receiving report. The expiration date is to be entered into your accountable supply records.
- (2) Expiration Date
 - a. When an item is marked with an Expiration Date, which gives only the month and year, does the item expire on the first day or the last day of the month? The official position of the USP and NP is that "when an expiration date is stated, in terms of the month and year, it is a representation that the intended expiration date is the last day of the stated month".
 - b. When an expiration date of an item has passed, the item shall not be used unless the item is assayed to establish potency and is recertified for use.
- (3) Report No. 24 - Supply Expiration Report
 - a. Report No. 24, Supply Expiration Report, is used as a control record for dated stores stock items. Report No. 24

5-6.3X continued .

lists those stock items on a monthly basis that contain an expiration date within the next four (4) months from report processing date.

- b. This report is to be reviewed in detail each month. Compare the projected average monthly issue quantity (PAMIQ) against the expiration date quantity that is physically on hand to see if that quantity will be used up prior to the expiration date: Check with the user on questionable quantities.- If there are quantities on hand that cannot be used up by your area prior to the expiration date, contact the vendor for possible return and/or make the item available to other area/program offices.
- c. Items are listed on Report No. 24, Supply Expiration Report, one time only per expiration date. Therefore, this report must be checked each month against stock on hand.
- d. A copy of this monthly report is to be provided to each facility monthly for their use in checking for items that may become outdated.

(4) Disposal of Outdated Items

- a. Outdated stock items are to be removed from stock and disposed of and records adjusted per 5-6.34 of this manual.

5-6.3Y OVERSTOCKED/UNREQUIRED/EXCESS SUPPLIES(1) Acquisition

- a. Overstocked/Unrequired/Excess supplies from other IHS facilities, HHS agencies and other Federal agencies should be our first source of supply
- b. Supply Report No. 23, Listing of Overstocked/Inactive Stores Stock Supplies, is to be reviewed and utilized to obtain supplies from other area/program offices to meet your requirements. Supply Management Branch, IHS, will distribute a copy of each area report to other area/program offices on a quarterly basis.
- c. GSA Excess Catalogs and other excess listings/catalogs that can be obtained should be reviewed for supplies that would meet area requirements.
- d. unrequired or excess supplies should be obtained only when:

MANAGEMENT SERVICES

SUPPLY MANAGEMENT OPERATIONS

5-6.3Y continued

- (1) There is a need for the item for immediate use or to fulfill normal stock replenishment requirements.
- (2) The cost of packing and shipping compares favorably with cost of new like item.

(2) Disposal

- a. Items in your inventory that are listed on Report No. 23, Listing of Overstocked/Inactive Stores Stock Supplies, are to be made available and transferred to other IHS facilities, when requested. Refer to Exhibit 5-6.1OA(2) for a sample Transfer Out Document.
- b. Unrequired items that you have that were not disposed of through use of Report No. 23, prepare a listing of those items, and
 - (1) Circulate the list within your area to determine if the items can be utilized by any of your facilities.
 - (2) If not utilized within your area, circulate the list to other IHS Area/Program Offices and to HRSA, Supply Service Center. Items would be available on a "first come, first serve" basis.
- c. Unrequired items that were not disposed of through the above procedures are to be reported to the Area Property Management Officer for disposal action. Refer to HHS Materiel Management Manual 103.43 and FPMR 101-43.
- d. Unrequired stores stock items are not to be dropped from the accountable inventory records until actual transfer and/or other disposal action is taken.

5-6.3Z PHYSICAL INVENTORY

(1) Purpose

- a. The inventory of stores stock supplies is necessary to verify the accuracy of stock records. Inventoring, in addition to verifying the accuracy of supply records, is a means to:
 - (1) Disclose procedural weaknesses in routing vouchers and posting records.
 - (2) Discover the need for additional safeguards to prevent misuse, theft and other losses.

5-6.3Z continued

(2) ~~Frequency~~

a. ~~Stores Stock~~

- (1) Inventory at least annually or more frequently, if . Spot inventories of selected items or commodity groups should be taken at various times throughout the year;

b. ~~Sensitive Items~~

- (1) Stocks of ethyl alcohols, precious metals and controlled substances shall be inventoried quarterly.
- (2) Controlled Substances in Schedules I and II and/or any narcotic substance in Schedule III are also to be inventoried COB December 31 of each year. This inventory is required by DEA ARCOS reporting requirements.

(3) ~~Schedule/Reports~~

- a. Supply Service Centers will prepare an inventory schedule for every location that maintains accountable supplies. A copy of this schedule, using Exhibit 5-6.10A(43) will be submitted no later than September 30th of each year to:

Chief, Supply Management Branch, IHS
300 San Mateo NE, Suite 600
Albuquerque, NM 87108

- b. All inventories must be reconciled and finalized, including Board of Survey Action, if required, within 60 days after completion of the Physical Inventory. Any variance from the inventory schedule or any delay in the reconciliation and finalizing of the inventory must be immediately reported to the Chief, Supply Management Branch, IHS.

- c. As each inventory is completed, complete appropriate blocks of the Inventory Schedule, Exhibit 5-6.10A(43), and forward a copy to the Chief, Supply Management Branch, IHS.

(4) ~~Annual Inventory Procedures~~

- a. The Supply Service Center staff should be advised well in advance as to when annual supply inventories are scheduled. Supervisors should not schedule or approve annual leave during scheduled inventories.

5-6.3Z continued

- b; The Area Finance Officer is to be notified of scheduled inventory dates. A representative(s) of the Area Finance Office should participate in the inventory and/or at least be, an observer of the inventory process.
- c. Supply Service Center Director is to:
 - (1) Establish annual physical inventory dates.
 - (2) Notify all ordering locations of the inventory dates and that only valid emergency requests will be honored during the inventory.
 - (3) Designate initial inventory count teams.
 - (4) Designate inventory recount teams.
 - (5) Designate an individual to be referee/coordinator of the inventory and
 - (6) Ensure that the inventory is properly taken and documented.
- d. Inventory Management Supervisor is to:
 - (1) Establish a cut off date for processing of all documents prior to the inventory.
 - (2) Check "Pending Receiving Files" and "Pending Issue Files" to ensure that all receiving reports and issue documents are accounted for and processed.
 - (3) Establish "Emergency Issue Procedures" for any issues required to be made during the inventory, and
 - (4) Request Report No. 37, Inventory Listing, from Computer Operations Unit. Request is to include report option(s) wanted.
- e. Warehouse Supervisor is to:
 - (1) Check the receiving area to ensure that all items receipted for have been placed into stock.
 - (2) Check storage areas to ensure items are stored in their proper place and are identified with the proper index number, and
 - (3) Designate a holding area for incoming shipments until the inventory-is completed.

5-6.3Z continued

f. Annual Physical Inventory Count

- (1) It is recommended that several inventory teams be established in order that the initial physical inventory counts can be completed in a timely manner, i.e.:
 - 1st Team - Bin Storage Area
 - 2nd Team - Bulk Storage Area
 - 3rd Team - Other Storage Areas
 - If personnel is available, other teams could be established to start at the ends of the storage areas and work back toward the other teams.
- (2) Inventory Team (Suggested)
 - Counter - Person from the Inventory Management Unit or Procurement Unit.
 - Recorder - Person from the Warehouse Unit.
- (3) An individual is to be designated to collect the inventory sheets as the first count is completed and enter the first count quantity into the Computer Inventory Record File. Refer to Exhibit 5-6.10A(6).
- (4) As the initial inventory count is entered into the Computer Inventory Record File, an Inventory Recount listing will be printed out for those items that do not balance. For ease in doing inventory recounts, only one item will be listed per page. Refer to Exhibit 5-6.10A(7).

80 Inventory Recount Teams

- (1) It is recommended that two (2) inventory teams be established to do inventory recounts.
- (2) A referee be designated to act as the final judge as to which count is accurate when there is a difference between the first count and the recount.
- (3) Enter the recount (final) quantity into the Computer Inventory Record File.

5-6.3Z continued

h. Initial Listing of Inventory Overages/Shortages

- (11) The Listing of Initial Inventory Overages/Shortages will be computer generated from the Inventory Record File after the final inventory count is processed. Refer to Exhibit 5-6.10A(8).
- (2) Research the initial overages/shortages for possible correction due to errors in previous postings, missing vouchers, unit of issue errors, etc. The History Record File can be used to review previous transactions that were processed for the item.
- (3) Errors/corrections found will require that valid transactions be processed to update the accountable inventory records, i.e., a previous receipt quantity error would require a 2K reversal transaction and a 22 transaction.
- (4) Update the Computer Inventory Record File with the adjusted inventory quantity and/or record balance quantity based on any errors/corrections found to be processed in c. above.

Final Inventory Adjustment Document

- (1) Assign a voucher number to the Computer Inventory Record File in order for the Inventory Adjustment Document to be processed. Refer to Exhibit 5-6.10A(9).
- (2) Attach a cover M-365 to the inventory adjustment document print out. Complete appropriate blocks on the HHS-365 and process for approvals as required.
- (3) Inventory adjustment transactions, 27s and 37s, will automatically be generated from the Inventory Record File to update the accountable inventory records.
- (4) An Inventory Fact Sheet will be printed out after the above processing is completed. Forward a copy of the Inventory Fact Sheet to: Chief, Supply Management Branch, IHS. Refer to Exhibit 5-6.10A(10).

5 Inventory Document File

- (1) A complete file is to be maintained for each physical inventory. The file is to include:
 - (a) A signed copy of the initial inventory listing, Report 37.

5-6.3Z continued

- (b) A signed copy of the inventory recount sheets.
- (c) A copy of the Initial Listing of Inventory Overages/Shortages.
- (d) A copy of all error/correction documents.
- (e) A copy of the final approved Inventory Adjustment Document
- (f) A copy of the Report of Survey, if appropriate, and
- (g) A copy of the Inventory Fact Sheet.

(5) Quarterly Inventory Procedures

- a. Report No. 25, Pharmacy Quarterly Inventory List of R and N Items, will be provided by DPSC during the last month of each quarter; This report is to be used to record the inventory count as of the close of business for that quarter.
- b. Quarterly Inventory Team (Suggested)-.
 - Counter - Supply Service Center Director or Deputy
 - Recorder - Person from Inventory Management
 - Witness - Custodial Officer for Controlled Substances
- c. The physical inventory count is to be compared to the stock record balance to arrive at any inventory overages/shortages. Research the overages/shortages for possible correction. Initiate Inventory Adjustment Document for overages/shortages and Report of Survey for any shortages.
- d. The Quarterly Inventory File is to contain a signed copy of Report No. 25; a copy of any correction documents; a completed HHS-365; and a completed Report of Survey document, if required.

5-6.3AA INVENTORY ADJUSTMENTS

(1) Circumstances for Adjustments

- a. There are occasions in the operation of any accounting system and accountable supply system when the records require correction or adjustment. The following circumstances necessitate adjustment or correction of records maintained to account for supplies in inventory.

5-6.3AA continued

- (1) When a physical inventory of store stock discloses an overage or shortage, property and fiscal records are adjusted to reflect the overage or shortage, and the overage or shortage is not due to a posting error.
- (2) When it is discovered that more than one record is maintained to account for the same item as a result of errors in description or other reasons and adjustment is necessary to consolidate data onto one record.

(2) Documenting Adjustments

- a. Form HHS-365, Inventory Adjustment is to be used as a property voucher to record the circumstances creating the need for the adjustment and the data to be posted to the supply and fiscal accounts. The adjustment value, debit or credit, is to be identified by General Ledger Account.
- b. A copy of each approved form HHS-365 adjusting property records, shall be furnished the finance office maintaining the General Ledger Control Accounts and to the Station for their accountable voucher file.

(3) Approving Inventory Adjustments

The Officer in Charge of the accountable area or his designee (designee must be in writing) may approve inventory adjustment documents without board of Survey review except when:

- a. The item or items short or missing are sensitive items consisting of controlled drugs, precious metals, ethyl alcohols, etc. There is no exception as to quantity or value. (Silver alloy used by Dental is a precious metal.)
- b. The approving official or the Property Management Officer suspects theft or misuse of supplies missing or damaged.
- c. Adjustments to property and fiscal records shall be approved and made only after Board of Survey action when circumstances in 3(a), or 3(b) exist.

5-6.3AB REPORT OF SURVEY - BOARD OF SURVEY(1) Purpose and Scope

- a. This section prescribes the procedures to be followed by Boards of Survey, Survey Officers, Determining Authorities and Reviewing Authorities in conducting a survey to determine responsibility and liability (if any) for the damage,

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AB continued,

destruction, deterioration, theft or misappropriation of Government Owned Stores Stock Supplies; or to provide relief from responsibility, liability and/or accountability.

(2) Board of Survey

- a. A board of survey is comprised of no less than three (3) employees to serve as a fact-finding body with respect to the circumstances and conditions of each case. Boards can be appointed on a case by case or a permanent board can be appointed in areas where the need is more than occasional. The board is appointed by the Determining Authority.

(3) Survey Officers

- a. A survey officer may be appointed to administer board of survey procedures. If a survey officer is appointed he/she will serve as permanent, chairman of the board. In cases involving a line item valued at less than \$250.00 and there is no suspicion of theft or misappropriation the survey officer can act in lieu of the Board of Survey. This individual is appointed by the Determining Authority.

(4) Eligibility - Board of Survey/Survey Officer

- a. Individuals who are not eligible for appointment are as follows:
 - (1) Supply Management Officer.
 - (2) Immediate supervisor of an employee involved in a survey action.
 - (3) An employee involved in the accountability, management or connected in anyway with the supplies being surveyed.
 - (4) Any employee who will be responsible for reviewing or acting on the findings and the recommendations of the board.

(5) Determining Authority

- a. The determining authority is the Executive Officer in charge of an accountable area. When survey action is required the determining authority is responsible to:
 - (1) Appoint, by memorandum, employees to serve on a board of , survey.

5-6.3AB continued

- (21) Designate a chairman of the board.
- (3) Appoint a survey officer, when it is desirable.
- (4) Convene the board or notify the survey officer.
- (51) Instruct the board or the survey officer to act promptly on each case.
- (6) Evaluate the facts, circumstances, findings and any recommendations that relate to the disposal of property of relief from accountability for property submitted on the report of survey. Making a determination regarding responsibility or relief from responsibility.

b. The findings of the board will be submitted to the reviewing authority for his determination only if:

- (1) Additional information is submitted that the determining authority is of the opinion does not require a reexamination by the board.
- (2) The determining authority believes he should disqualify himself. A written statement of his reasons for disqualification is required and will become apart of the survey file.

(6) Review Authority

- a. The review authority is the Director of the Indian Health Service. After consideration of all information notifies the determining authority of his decision regarding responsibility.

(7) Procedures

- a. Upon receipt of the instruction to act, the board of survey shall be convened by the chairman, and after review of the preliminary information furnished shall:
 - (1) Develop a plan of action.
 - (2) Develop all facets and circumstances of the incident.
 - (3) Interview witnesses and obtain signed statements.
 - (4) Determine the extent and type of loss.
 - (5) Identify all persons involved.

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AB continued

- (6) Notify the determining authority if theft or violation of statutory regulations is evident.
- (7) Record all facts and circumstances.
- (8) Prepare a finding.
- (9) Make recommendations as to relief from accountability and/or the disposition of the property being surveyed.

(8) Final Action

- a. If it is concluded that an employee or group of employees are responsible the determining authority will, establish pecuniary liability (disciplinary action may be coupled with a charge of pecuniary liability). The amount to be collected will reflect the depreciated value of the item(s) prior to the incident. ,
- b. If it is concluded that a person or group not employed by the Government is pecuniarily liable the determining authority will forward a completed copy of the report to the proper official for collection of funds due the Government.

(9) Appeals

- a. Appeals of the determining authority's decision may be made to either the Area Director or to the Director, Indian Health Service, but not to both. All appeals must be made within 10 calendar days subsequent to notice of disciplinary action or pecuniary assessment.

5-6.3AC RECONCILIATION OF GENERAL LEDGER ACCOUNTS

- (1) The integrated system of accounting for supplies requires maintenance of the general ledger accounts by Finance and Subsidiary detail stock records by Supply personnel.
 - (2) Finance updates the general ledger accounts based on source document values for receipt, adjustments, surveys, or disposal actions furnished by the Property Management Section. These documents require value association to general ledger accounts 125.1, .2, .3, .4, .5, and .9 and to object and sub-object classes. The property voucher number applied to these documents by supply personnel is used as a secondary document reference by Finance.
 - (3) To provide Finance with a property voucher audit trail, a copy of the following monthly ADP Supply Reports are to be provided to Finance.
-

5-6.3AC continued

Report No. 10 - Station Monthly Voucher Summary Report-

Report No. 15 - Station Monthly Cost Report

Report No. 20 - Area Monthly Supply Summary Data By Account

- (4) A computer tape of storeroom issues is automatically provided directly to the Finance System for posting of issues to the finance records.
- (5) The policies and procedures contained in the HI-IS Materiel Management Manual, Subpart 103-27.52, Integration of Property and Fiscal Accounts, are to be followed in the reconciliation of supply, and finance general ledger accounts.

5-6.3AD BUDGET PROJECTIONS - STORES STOCK

- (1) The Area Supply Management Officer is responsible for computing and providing supply budget projections as determined by the Area Director/Executive Officer.. Various automated supply reports provide information on past usage and projections of future needs, such as:

Report No. 15, Monthly Cost Report

Report No. 16, Station Monthly Sub-Sub-Activity Report

Report No. 29, 120 Month Projection of Stores Fund Requirements

Report No. 30, 150 Month Projection of Stores Fund Requirements

Report No. 74, Stores Stock Issues/Budget Analysis by Location

Report No. 77, Analysis of Issues by Sub-Station

Report No. 79, Summary of Issues by Program

- (2) The above reports can be utilized to determine issues during the past fiscal year and to project the next fiscal year's need.
- (3) The following reports can be utilized to determine actual inventory and due in data for the purpose of adjustments to budget and to estimate the cost increases due to price changes (inflation).

Report No. 19 Station Monthly Supply Summary Data by Account

Report No. 31, Station Supply Cost Comparison - Detail Listing

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AD continued

Report No. 32, Area Supply Cost Comparison - Summary Listing

- (4) It must be recognized that any reports projecting future needs are only accurate if the data used in the projections is accurate and up to date. It is recommended that Report No. 49, Data Exception Analysis Report, be obtained as of COB July and any required changes (5C's) be processed prior to COB September. Close attention to PAMIQ, Unit Cost and Type Code is advised. Note: No fund projections are made on items with EOQ Type Code "P" or "R".

(5) Budget Option A

- a. A credit line is established for each Service Unit. This is based upon recurring issues from the previous fiscal year and is adjusted during the current fiscal year for additions of new items being handled through the stores stock system.
- b. The Service Unit credit line is broken out by General Ledger Account.
- c. Supply usage, current budget status and projected year-end status is monitored by the Supply Service Center and Service Units by use of Report No. 74, Stores Stock Issues/Budget Analysis by Location.
- d. Funds are assigned directly, to the Supply Service Center account by the Area Finance Office to cover anticipated supply needs for all area Service Units, i.e., the Service Unit stores stock supply budgets become the Supply Service Center's supply budget.

(6) Budget Option B

- a. Each Service Unit maintains their own supply budget and transfers funds to the Supply Service Center as supplies are received or based on the next quarter's projected usage. The Service Unit should base their anticipated budget for the current fiscal year based on previous fiscal year usage and any changes in program operations.
- b. Funds should be transferred to the Supply Service Center operational budget at the very beginning of each quarter with adjustments for new stock items taken into account and any necessary change due to overruns or excesses in the previous quarter.

5-6.3AD continued

- c. It is essential that needs for new stock items (both inventory needs and issue quantities) be accurately identified and funds obtained from using Service Units to avoid funds not being available at the Supply Service Center to purchase supplies.
 - d. Report No. 74, Stores Stock Issues/Budget Analysis by Location, can be used by the Service Unit and the Supply Service Center to monitor supply costs and budget status.
- (7) Supply operating budgets may also be developed based on supply cost per work units, i.e., supply cost per outpatient visit, inpatient days, etc.
- (8) Other factors to consider in developing operating budgets are:
- a. Inflation Factor: Operating budgets should be increased based upon the percent inflation factor approved by the Congressional Budget or other documentation of supply cost changes.
 - b. Program Changes: Quantify any changes in service which will impact on supply usage/cost. For instance, the addition of a Physical Therapy Department to a facility will increase the use of account Code 2 items significantly. To estimate the cost for a new department, use workload estimates and compare to other facilities with similar workloads. Using the Cost Center Report No. 15, a good estimate of needs can be calculated.

Note : A program change that will result in the need to transfer funds between different budget activities must be brought to the attention of the Area Executive Office/Service Unit Director for proper adjustment. Such as the addition of an Intensive Care Unit which enables a facility to care for patients who were previously transferred to Contract Health Service funded hospitals.

- (9) In any budgetary method used, the inventory and due in values should be adjusted to keep the inventory stable and to avoid excessive costs due to stock outages. This is accomplished as follows:
- a. Inventory Level - The difference between the EOQ average inventory value and the actual closing inventory values should be added to or subtracted from the budget figure. Report No. 41A, Summary Analysis of Inventory, contains this information and should be obtained from DPSC as of COB September.

MANAGEMENT SERVICES)

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AD continued

- (1) Stock items which have been inactive for 12 months or longer and high cost overstocked items will have an 'adverse effect on Report No. 41A.
- (2) If the correct EOQ Table is not being used, the inventory will not be optimal, outages may be high and the EOQ authorized inventory will not be appropriate. Use Exhibit 5-6.10A(20) at least annually to assure that the correct EOQ Table is being used.
- b. Due In Value - Calculate the difference between the Average Monthly Issue Value and the Due In Value as of COB September and add or subtract from the budget figure.

5-6.3AE USER CODE ASSIGNMENT

- (1) The User assigned to each individual requisitioning unit is used to accumulate cost and supply usage for that user and to accumulate overall program cost.
- (2) The User Code is a 3-digit code. The Finance Cost Center Code is used as the first two digits and the 3rd digit is used to identify the different users within a program and sub-station. Refer to Exhibit 5-6.10A(61) for examples of user code assignments. Refer to the Finance Accounting Handbook for Cost Center Codes

5-6.3AF AREA REVIEWS

- (1) Periodic supply management reviews will be conducted of area supply operations. Purpose :
 - a. Determining compliance with prescribed policies and regulations.
 - b. Determining the need for additional guidance and/or training.
 - c. Identify need for changes in existing procedures and/or reports or need for additional procedures and/or reports.
 - d. Measure level of accomplishment to the IHS Supply Standards as outlined in Section 5-6.2B of this Chapter.
 - e. Review staffing needs and utilization of present staff.
- (2) Area Supply Management Review Document, Exhibit 5-6.10A(40), will be used in conducting the reviews.
- (3) Area review is to be done by Supply Branch Chief, IHS or his

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AG SERVICE UNIT REVIEWS

- (11) A semi-annual Supply Management Review is to be conducted at each Service Unit to:
 - a, Promote cooperation and coordination between the Service Unit and Area Supply Service Center.
 - b. Provide guidance, motivation and direction to Service Unit staff that will have a positive impact on their supply program.
 - c. Determine compliance with prescribed policies and procedures.
 - d. Determine the need for any additional guidance and/or training.
- (2) The supply management review is to-be conducted by qualified personnel capable of making meaningful evaluation of all phases of the Supply Management Program, such as the Supply Service Center Director (or Deputy Director).
- (31) The Supply Service Center Director is to schedule the management review for his area at the beginning of each fiscal year.
- (4) The Service Unit Supply Management Review Document (Exhibit 5-6.101A(39)) is to be used as appropriate in conducting the reviews.
- (5) Inventory Management staff should schedule facility visits routinely to assist with problems identified, training of supply/service unit staff and/or set up of new facilities or storage areas. Problems identified could include:
 - a. Excessive off-schedule ordering
 - b. Significant outdating of supplies
 - c. Improper completion of issue books

5-6.3AH WORKSHOPS/ORIENTATION

- (1) The effectiveness of supply management activities depends primarily upon the knowledge and capabilities of personnel who are responsible for or who perform duties in such activities. It is recognized that personnel directly involved in supply management must become oriented in supply management before an efficient program can be realized. The following actions shall be accomplished by each Area:

5-6.3AH continued

- a. Through coordination with the Area Training Officer, a workshop shall be conducted at least once annually for personnel, Area-wide, who are directly involved in supply management activities. The content shall not be restricted to supply management topics, but should also include Financial Management, Contracting and Procurement, and other topics which have a direct relationship to supply management. This workshop will assure uniformity and continuity of operations and efficiency in the provision of supplies necessary to carry out Area programs.
 - b. A suggested course outline for this type of workshop should include, but not be limited to, the following topics:
 - (1) Supply Management Under Data Processing
 - (2) Supply Disposal - Methods and Procedures
 - (3) Supply Accounting and Reporting
 - (4) Interpretation of Reports
 - (5) Document Coding and Control
 - (6) Storeroom/Cupboard Stock Maintenance
 - (7) Special Handling of Controlled Substances
 - (8) Supply Discipline - Care and Protection of Property
 - c. The Area Administrative Services Branch will provide the instructional staff in their respective specialized field. Participation will be requested from other disciplines when material is being covered which overlaps into their respective field, (pharmacy, financial management, data processing, etc.). Charts, slides, and other appropriate training aids will be developed and provided to all participants. A training package, which can be utilized by the Property and Supply Officer at the service unit, should be developed and updated at the annual workshop.
 - d. The Supply Management Branch, IHS, is available for assistance in presenting the supply workshop. Please advise that office of scheduled Workshop dates.
- (2) During the course of reviews at a station, the Supply Management Officer or a designated representative shall discuss all phases of supply management with personnel engaged in this activity. Efforts are also to be expanded to discuss problems with station personnel directly affected by supply management activities, taking advantage of Service Unit Staff meetings when they coincide with the station review. Visual aids shall be developed and employed where possible.
-

5-6.3AH continued .

- (3) Newly assigned supply personnel at a facility should be scheduled for appropriate orientation at the Supply Service Center.
- (4) It is recommended that all supply personnel attend the following courses :
 - a. Storage and Materials Handling - GSA (Area and Station)
 - b. Inventory Control of Supplies and Materials - GSA (Area and Station).
 - c. The Economic Order Quantity Technique - GSA (Area Only).

5-6.3AI ANNUAL SUPPLY ACTIVITY REPORT DATA

- (1) The Indian Health Service is required to report certain supply data to HHS on an annual basis. Part of the information required to be reported is obtained from consolidated IHS ADP Supply Reports, while other information is required from the areas on an annual basis. The following information is to be submitted to Chief, Supply Management Branch, IHS, 300 San Mateo NE, Suite 600, Albuquerque, NM 87108 prior to September 10 of each year.
 - a. Number of storerooms in which inventory is maintained for issue to consumers. "Storeroom" is a storage area at an installation, hospital, reservation, office, or building where supplies are maintained for issue to consumers, i.e., a station code equals one storeroom, if accountable supply inventory records are maintained at the station.
 - b. Square feet of Gross Storage Space: "Gross Storage Space" includes any covered or open area which is used for storage of inventory for issue to consumers.
 - (1) Covered
 - (2) Open
 - c. Staffing: Provide the total number of authorized man-years required to accomplish the functions described in (1), (2), and (3) below, during the report year and the total annual personnel cost for the man-years expended on each activity. The man-years and personnel cost reported are to relate to support provided to operations reported through the Automated Supply Program (Stock and/or Direct).

5-6.3AI continued

- (11) Storage and Distribution activities include receiving, checking, storing, picking, packing, shipping, re-warehousing, surveillance, inspection, and related activities.
 - (2) Supply Management (personal property management, inventory management, etc.) activities include processing of issue documents; posting of issues, receipts, orders, returns to stock, inventory adjustments, transfers, conducting physical inventories, cataloging, etc.; and the clerical and administrative activities directly related thereto.
 - (3) Purchasing activities include receipt and processing of requests to initiate procurement; soliciting and analyzing bids or otherwise selecting supplies; negotiating and arranging terms for purchase; preparing obligation documents; follow-up on orders and shipments; contract administration; modifying and terminating contracts; and the clerical and administrative activities directly related thereto.
- (2) Complete and submit Exhibit 5-6.10A(22), 'Authorized Staffing and Storage Space as of _____' for each location in your area as they relate to the above, including area office.

5-6.3AJ PROCUREMENT

- (1) Determining the type of procurement to be made on replenishment of stores stock shall be made by the Purchasing Agent or other individual delegated procurement authority who must comply with procurement policies, procedures; and regulations.
- (2) In addition to entries required by the procurement policies, procedures, and regulations, the station unit of issue, index number, the quantity being ordered according to the station unit of issue, and appropriate accounting data shall be entered on purchase orders for stores stock.
- (3) Controlled Substances - Separate purchase orders are to be issued for Controlled Substances. This will provide for timely check-in by the receiving agent, improve internal control and documentation.
- (4) Chemotherapy/ Cytotoxic Drugs - Separate purchase orders are to be issued for these items and the purchase order and/or the purchase order receiving file folder is to be specially marked to identify the items as hazardous substances. This will alert receiving personnel that these items require special handling and storage.

MANAGEMENT SERVICES

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AJ continued

(5) Cancellations

- a. Immediate action is to be taken to re-purchase items that are cancelled by a vendor. Expedited delivery may be required from the new vendor.
 - b. Inventory Management Unit and Warehouse Unit are to be notified of cancellations in order for them to cancel pending due ins and change pending receiving reports.
- (6) Follow-up on all purchase orders that are past the delivery date should be made every 7 days by the purchasing official.
- a. Direct issues and Services - Status information is to be provided to the requisitioner on any direct issue or service items that are past ,delivery date.
 - b. Stores Stock .- Status information is to be provided to stock control on any stock item that is past the delivery date. Stock control must determine if supply on hand will meet demand until item on order is delivered. If not, than an emergency order for immediate delivery should be issued.

(7) Back Orders

- a. Upon receipt of a backorder notification from a vendor, stock control is to be notified immediately. Based on a review of supply on hand, it may be necessary for an emergency order to be issued for a 30-60 day supply.

(8) Priority of Source of Supply

- a. Procurement of supplies shall be effected from the following sources in the descending order of priority indicated:
 - (1) Items available from within the facility.
 - (2) Items in long supply or unrequired at other HHS activities.
 - (3) Items in long supply or excess at other Federal agencies.
 - (4) Items available from HRSA Supply Service Center.
 - (5) GSA stores stock items.
 - (6) VA Supply Depot.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AJ continued

- (7) Mandatory Federal Supply, Schedules.
- (8) Other Federal Supply Schedules when it is to the advantage of the Government.
- (9) Other Federal agencies, Federal Prison Industry and blind made products.
- (10) Commercial concerns.

(9) Waivers from Mandatory Sources

- a. When, in furtherance of program objectives it is necessary to procure similar items from a lower priority source than those listed in (61, the requiring facility will request a waiver to bypass the priority source of supply in favor of a lesser priority. The request for waiver is to be in accordance with Area Procurement policy and procedures.

5-6.3AK BOOKS/PUBLICATIONS

- (1) In order for Supply Service Center staff is stay abreast of supply/materiel management trends, changes, etc., in the private sector, it is recommended that the following books/publications be obtained for information and **use** as appropriate.

(2) Books

Hospital Materiel Management
Charles E. Housley (1978)
\$44.50 (Aspen Systems Corp. 1

Strategies in Hospital Materiel Management
Charles E. Housley (1983)
\$49.50 (Aspen Systems Corp. 1

Controlling Hospital Supply Inventories
Charles E. Housley (1983P)
\$26.00 (Aspen Systems Corp. 1

Hospital Purchasing: Focus on Effectiveness
Charles E. Housley (1983)
\$32.95 (Aspen Systems Corp. 1

Product Standardization and Evaluation
Charles E. Housley (1985)
\$27.50 (Aspen Systems Corp.)'

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AK continued

Hospital Purchasing and Inventory Management

Edward D. Sanderson (1982)

\$31.50 (Aspen Systems Corp.)

Effective Hospital Materiel Management

Edward D. Sanderson (1985)

\$39.50 (Aspen Systems Corp.)

Handbook of Health Care Material Management

William L. Scheyer (1985)

\$44.50 (Aspen Systems Corp.)

Purchasing and Materials Management for Health Care Institutions

Dean-S. Ammer (1975)

\$21.50 (Lexington Books)

Materials Management for Health Services

'Arnold Reisman (1981)

\$38 .00 (Lexington 'Books)

(3) Publications

Hospital Materiel Management Quarterly

\$65.00 per year, Published Quarterly (Aspen Systems Corp.)

Hospital Purchasing Management

\$70.00 per year, Published Monthly (Chi Systems, Inc.)

Journal of Healthcare Materiel Management

\$28.00 per year (Mayworm Associates, Inc.)

Modern Materials Handling

\$45.00 per year, Published Monthly except March, Sep., 4 Oct.
when published semi-monthly (Cahners Publishing Company)

Hospital Purchasing News

\$35.00 per year, Published Monthly (McKnight Medical
Communications, Inc.)

5-6.3AL ADP REPORTS, SPECIAL USE OF

- (1) Many of the ADP Supply Reports are designed for specific use, while others can be used to meet different needs. This sub-section will identify some known needs and/or potential problem areas and which reports can be used to meet those needs and/or to solve potential problems.

(2) Audits, use:

- a. Report No. 10, Monthly Voucher Summary Report, to account for individual documents that were processed.

5-6.3AL continued

- b. Report No. 10A, Monthly Listing of Direct Issue Transaction, to account for each direct issue line item posted.
- c. Report No. 11, Stores Stock Transaction Register, to account for each receipt/issue/adjustment line item posted.
- d. Report No. 15, Monthly Cost Report, to audit individual user cost by CL account and object-subobject code.
- e. Report No. 46, Analysis of Stock Items by Vendor Name, to audit/review items purchased from each vendor.
- f. Report No. 47, Supply Usage Detail Listing, to audit item quantity usage by individual user.

(3) Administrative Review of Supply Operation, use:

- a. Report No. 19, Station Monthly Supply Summary Data by Account, to identify:
 - (1) Months supply on hand in inventory - range should be 2.5 - 4.0 months.
 - (2) Total line items with no issues in 10 -12 months and longer - percentage of items should be less than 1.5 percent.
 - (3) Months supply due in - range should be 0.5 - 1.5 months.
 - (4) Stock fill rate - percent of items that had a 100% fill rate should be 95% or higher.
 - (5) Percent of items that appear on Requirement Analysis Report excessive times - percent should be 8% or less.
- b. Report No. 49, Data Exception Analysis Report., to identify:
 - (1) Value of inactive/overstocked inventory - percent of inventory that is inactive/overstocked should be 4% or less.
 - (2) Number of items in inventory that are overstocked.
 - (3) Number of items in inventory that need the "Review Point Quantity" reviewed/updated.
 - (4) Number of items in inventory that need the "Last Purchase Price" reviewed/updated.

5-6.3AL continued

- (5) Number of items that are zero balance on hand and zero
- c. Report No. 78, Analysis of Issues by Area, to identify:
 - (1) Percent of items being ordered off schedule - percent should be 18% or less.
 - (2) Number of** line items and percentage that have been back ordered.
 - (3) Number of items pending Back Order Release.
- d. Report No. 75, Summary of Stores Stock Issues/Budget Analysis, to identify:
 - (1) Stock issue values and budget status for each sub-sub-activity by GL account and using location.
- (4) Budgets, use
 - a. Report No. 15, Monthly Cost Report - use to identify stock issues by user and sub-station.
 - b. Report No. 16, Station Monthly Sub-Sub-Activity Report - use to identify stock issues by sub-sub-activity and sub-station.
 - c. Report No. 19, Station Monthly Supply Summary Data by account, to identify:
 - (1) Months supply on hand in inventory. Budget should be adjusted to allow for an inventory level of 3.5 or 4.0 months supply.
 - (2) Months supply on order. Budget should be adjusted to allow for one (1) month due ins.
 - d. Report No. 29, 120 Month Projection of Stores Fund Requirements - report projects funds required for each item by month for the fiscal year.
 - e. Report No. 30, 150 Month Projection of Stores Fund Requirement - report projects funds required for each item by month for the last quarter of the current fiscal year and for the next fiscal year.
 - f. Report No. 31, Station Supply Cost Comparison, to identify:
 - (1) Change in unit cost from previous September to current

5-6.3AL continued

- (2). Change in projected total item cost from previous September to current September.
 - g. Report No. 74, Stores Stock Issues/Budget Analysis by Location, to identify:
 - (1) Stock issue values by sub-station and sub-sub-activity.
 - (2) Current fund balance and projected year end balance by sub-station and sub-sub-activity.
 - h. Report No. 75, Summary of Stores Stock Issues/Budget Analysis, use to monitor overall stock issue values, current fund balances and projected year end fund balances by sub-sub-activity.
 - i. Report No. 76, Analysis of Issues by User, use to identify value of direct issues and stock issues by user.
- (5) High Number of Issue Documents, use:
- a. Report No. 19, Station Monthly Supply Summary Data by Account, to identify the total number of issue documents processed and the average number of line items per document. Average number of line items per issue document should be higher than 17.
 - b. Report No. 76, Analysis of Issue by User, to identify:
 - (1) Total number of documents processed for the user.
 - (2) Number of scheduled issue documents processed.
 - (3) Number of unscheduled issue documents processed for the user. Percentage should be 18% or less.
 - c. Report No. 77, Analysis of Issues by Sub-Station, to identify:
 - (1) Total number of issue documents processed for that location.
 - (2) Number of unscheduled issue documents processed for that location. Percentages should be 18% or less.
 - d. Report No. 78, Analysis of Issues by Area, to identify the overall number of unscheduled issue documents being processed.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AL continued

(6) High Number of Purchase Orders,, use

- a. Report No. 19, Station Monthly Supply Summary Data by Account, to identify number of items that have appeared on the Requirements Analysis Report excessive times. Percentage should be 8% or less.
- b. Report No. 13, Requirements Analysis Report, to identify:
 - (1) Items that are not being purchased the first month they appear on the report. Items not purchased as they appear on this report will cause stock outages and emergency purchase actions.
 - (2) Differences in suggested order quantities and quantity being purchased. Ordering less than the suggested order quantity may cause stock outages, additional regular and/or emergency purchase orders, Ordering more than the suggested order quantity may cause overstockage and storage space problem.
- c. Report No. 14, Stores Stock Due In Register, to identify items that are past their scheduled delivery date and invalid due ins. Items with invalid due ins will not appear on the Requirements Analysis Report at the proper time.
- d. Report No. 39, Inventory Analysis Detail Listing, to identify:
 - (1) Number of final purchase actions made by item in the past 12 months.
 - (2) Items that need to have their Review Point Quantity
Items with incorrect Review Point Quantity
will not appear on the Requirements Analysis Report at the proper time.
- e. Report No. 41A, Summary Analysis of Inventory, to identify the overall number of final purchase actions made versus the number required.
- f. Exhibit 4-6.10A(20), EOQ Table Work Sheet, complete to arrive at the proper EOQ Table to be used for your operation. A Table that is low will cause more purchase orders to be issued.

(7) EOQ Table, Proper Table ,to Use

- a. Complete Exhibit 5-6.10A(20), EOQ Table Work Sheet, to arrive at the proper EOQ Table to be used for your area. Advise DPSC of any EOQ Table changes.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3,AL continued

- b. Report No. 41A, Summary Analysis of Inventory, can also be used to identify needed changes in EOQ Table.
 - (1) Actual inventory value and EOQ average inventory value should be fairly close.
 - (21) Based on the EOQ Months of 1.0 through 12.0, the monthly average issue value percentages should go from high to low and the percentages of inventory line items should go from low to high.
 - (3) The number of final purchase actions made and the number required should be fairly close.

(8) Excessive Credit Balances

- a. Is Report No. 4, Rejected Receipt Transactions, being corrected and items reprocessed?
- b. Is Report No. 10, Voucher Summary Report, being checked against the voucher register each month?
- c. Is Report No. 11, Transaction Register, checked to ensure proper quantity conversions are being made on receipts?
- d. Are inventory adjustment quantities properly arrived at?
- e. Is the "Pending Purchase Order File" checked monthly to ensure all receiving reports are completed?

(9) High Value of Inactive/Overstocked Items, use

- a. Report No. 5, Rejected Issue Transactions, to verify that all rejected issue transactions are being corrected and reprocessed.
- b. Report No. 12, Listing of Stores Stock Inactive Items, to identify the items that have not had any issues in 13 months or longer. Refer to 5-6.3Y for disposal procedures.
- c. Report No. 13, Requirements Analysis Report, to compare actual quantity purchased versus suggested order quantity on report.
- d. Report No. 19, Station Monthly Supply Summary Data by Account, to identify:
 - (1) The number of line items and value without issues by
Consideration should be given to deleting an item from inventory that has not had an issue in 7 months or longer.

5-6.3AL continued

(2) **The** number of months supply on hand in inventory. If the number of months supply is higher than 4.0 months, there probably is overstockage.

e. Report No. 23, Listing of Overstocked/Inactive Supplies, to identify:

(1) Actual items that are overstocked/inactive.

(2) Total Value of overstocked/inactive items. Value of overstocked/inactive items should be 4% or less of total inventory value.

f. Report No. 39, Inventory Analysis Detail Listing, can be used to identify the number of months supply on hand for each item.

(10) Inventory Levels, use

a. Report No. 19, Station Monthly Supply Summary Data by Account, to identify the number of months supply on hand in inventory. The range should be 2.5 - 4.0 months supply. The low side would be 2.5 months or less and the high side would be 4.0 months or more.

b. Report No. 4, Rejected Receipt Transactions, and Report No. 5, Rejected Issue Transactions, use to verify that rejected transactions are being corrected and reprocessed. If not being corrected, the actual months supply on hand in inventory will be distorted.

c. Report No. 13, Requirements Analysis Report, use to verify that proper quantities are being ordered based on the EOQ Principle of **Stock** Replenishment (see 5-6.3E). If order quantities are not based on the EOQ Principle of Stock Replenishment, you will be understocked and/or overstocked on items.

d. Report No. 23, Listing of Overstocked/Inactive Supplies to identify the inventory value that is overstocked and/or inactive. Subtract this value from the closing inventory value on Report No. 19 to arrive at the useable inventory value. Divide the Average Monthly Issue Value into the usable inventory value to arrive at the adjusted months supply on hand in inventory. This represents a more realistic months supply in inventory that is available for issue.

5-6.3AL continued

- e. Report No. 41A, Summary Analysis of Inventory to identify the overall difference, between the actual inventory value and the EOQ average inventory value. The difference provides a guideline as to how much the inventory value may need to be decreased and/or increased.
- f. Complete Exhibit 5-6.10A(20), EOQ Table Work Sheet, to arrive at the proper EOQ Table that should be used for your operation. Use of an improper EOQ Table would distort the data on Report No. 41A and inventory levels.

(11) Monitoring Supply Usage, use

- a. Report No. 11, Stores stock Transaction Register, list each individual issue record that was processed during the month.
- b. Report No. 13, Requirements Analysis Report, provides supply usage by calendar month for the item appearing on the report.
- c. Area catalog listings, Reports 34-35, provides total item quantity issued in the past 12 months or since the item was established if less than 12 months.
- d. Report No. 39, Inventory Analysis Detail Listing, provides total item quantity issued in the past 12 months.
- e. Report No. 45, Supply Usage Report by Sub-Station, provides item usage by using facility and by month. Good report to monitor issue quantities of an item by facility to compare usage versus patient workload.
- f. Report No. 46, Supply Usage Detail Listing, provides item usage by user, facility and area. Report can be used to identify:
 - (1) Items issued to inappropriate users, i.e., coffee issued to someone other than dietary.
 - (2) High usage of an item by one user as compared to other user with same general workload.
 - (3) Report should be used by Area Supply Committees to review item usage.
- g. Report No. 50, Detail Usage Report by Sub-Station, should be used by individual facilities to review their usage and to identify what items are being used by whom.

MANAGEMENT SERVICES

CHAPTER

- SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AL continued

(12) Outdated Items, Excessive

- a. Review receiving reports to ensure that expiration dates, as appropriate, are being annotated on the receiving report and entered into the supply system.
- b. Review Report No. 13, Requirements Analysis Report, to ensure that proper quantities of short dated items are being ordered.
- c. Report No. 24, Supply Expiration Report, list those items that contain an expiration date of four (4) months from processing date. Items listed on this report must be physically checked against actual stock on hand to verify if any stock is on hand with the listed expiration date and to determine if the stock can be used up prior to the expiration date. See 5-6.3X.
- d. Report No. 37, Physical Inventory and Item Review Listing, can be used to review items for proper EOQ Type Code assignment. Items that are received with less than 12 month dating should be coded with EOQ Type Code "C" and with the appropriate months modifier.

(13) Open Market, Purchases

- a. Report No. 27, Area Stores Receipts and Direct Issue Values by Account and Source, provides summary totals of open market purchases, items with source code "D", by general ledger account and overall area total.
 - b. Report No. 46, Analysis of Stock Items by Vendor Name, identifies projected quantity and value of open market items being purchased from that vendor. This information can be used to determine if an area **supply** contract should be established.
 - c. Other reports that can be used to identify items that are open market purchases, source code "D", are:
 - (1) Report No. 11, Stores Stock Transaction Register .
 - (2) Report No. 13, Requirements Analysis Report.
 - (3) Report No. 34, Area Master Index Number Catalog Listing.
 - (4) Report No. 35, Area Master Alphabetical Catalog Listing.
 - (s) Report No. 37, Physical Inventory and Item Review
-

MANAGEMENT SERVICES

CHAPTER

SUPPLY MANAGEMENT CENTRAL OPERATIONS

5-6.3AL continued

(6) Report No. 42, Station Alphabetical Catalog Listing.

(14) Stock Outages - Low Fill Rate, use

- a. Report No. 19, Station Monthly Supply Summary data by Account, to identify the percentages of stock outs and partial fills. The 100% fill rate should be 95% or higher.
- b. Report No. 4, Rejected Stock Receipts, to identify receipt records that have not been corrected and reprocessed. If not corrected and reprocessed, the system does not know that the quantity is available for issue.
- c. Report No. 13, Requirements Analysis Report, to identify items that are on the report excessive times and to check for proper order quantities. Normally, the item should be ordered the first time it appears on the report and the suggested EQQ should be purchased.
- d. Report No. 14, Stores Stock Due In Register, to identify and cancel any invalid Due Ins. Items with invalid Due Ins will not appear on the Requirements Analysis Report at the proper order time.
- e. Report No. 39, Inventory Analysis Detail Listing, to identify any Review Point Quantities that need to be updated. Items with incorrect Review Point Quantities will not appear on the Requirements Analysis Report at the proper order time. Also check to ensure that Lead Time Months are correct.
- f. Report No. 73, Stock Outage-Low Inventory-Due out Report, to identify:
 - (1) Items that are zero balance.
 - (2) Items that have quantity on hand below the Review Point Quantity.
 - (3) Total Due Out quantity.
 - (4) Quantity Due In. The quantity Due In should be great enough to cover all Due Outs plus bring the inventory quantity back up to an acceptable level.

(15) Storage Space

- a. Based on the EOQ Principle of Stock Replenishment, Report No. 37, Physical Inventory and Item Review Listing, identifies the maximum quantity of an item that should be on hand at any one time.
-

5-6.3AL continued

- b. Report No. 37 is adversely effected by:
 - (2) Incorrect Review Point Quantities.
 - (3) Incorrect Lead Time Months.
 - (4) Incorrect EOQ Type Codes.
 - (5) Incorrect Inventory Values and/or Last Purchase Prices.
 - (6) Use of incorrect EOQ Type Code Modifiers.
- c. A correct Report No. 37 can be used to plan space requirements for each item.

(16) Supply Records, Accuracy of

- a. Report No. 3, Rejected Due In Transactions, is this report being reviewed and corrective action taken? If not, records do not reflect proper Due Ins.
- b. Report No. 4, Rejected Receipt Transactions, is this report being reviewed and corrective action taken? If not, records do not reflect proper inventory quantities and/or values.
- c. Report No. 5, Rejected Issue Records, is this report being reviewed and corrective action taken? If not, records do not reflect proper inventory quantities and/or values, stock fill rates and cost reports will be understated.
- d. Report No. 9, Station Master Record Changes, does this report for the most part, list record changes each month? If not, the records may not reflect correct vendor name, vendor order number. Source code, type code and review point quantity.
- e. Report No. 10, Monthly Voucher Summary Report, is this report checked against the Voucher Register to identify and correct missing vouchers, line items and invalid postings? If not, the supply records are not correct.
- f. Report No. 11, Stores Stock Transaction Register, is this report checked for proper conversion of quantities to your unit of issue? If not, records may not reflect the actual quantity on hand.
- g- Report No. 13, Requirements Analysis Report, are items on this report checked for correct vendor name, order number, source code, lead time months, EOQ type code, EOQ modifiers,

5-6.3AL continued

review point quantity, unit price, etc.? If not, records do not reflect current information.

- h. Report No. 14, Stores Stock Due In Register, is this report checked to ensure that only valid Due Ins are listed? Items with invalid Due Ins will not appear on the Requirements Analysis Report at the proper order time.
- i. Report No. 24, Supply Expiration Report, are the items listed on this report physically checked against the stock on hand and appropriate action taken? If not, you may have outdated items in inventory.
- j. Report No. 73, Stock Outage-Low Inventory-Due Out Report, are items listed on this report as zero balance on hand being physically checked against the stock on hand? If not, you may have physical quantities on hand that are not reflected on your records.
- k. Is an annual inventory taken, reconciled and adjustments processed within sixty (60) days? If not, your records are not accurate.

(17) Year End Funds, Proper Use of

- a. In addition to the regular Requirements Analysis Report that is used to purchase regular requirements, other reports can be used to properly identify future requirements for year end funding: General guidelines are:
 - (11 Good time to purchase items with EOQ Type Code "Y", yearly items.
 - (21 Bad time to purchase items 'with EOQ Type Code "C', short, dated items. Advance purchase could lead to outdated items in inventory.
 - (31 Bad time to purchase items with EOQ Type Code "B", high cube item. Advance purchase could lead to storage problems.
 - (41 Good time to purchase mid-to-high cost items with EOQ Type Code "A", standard item.
 - (5) Quantity of an item purchased, plus quantity on hand, should not exceed 15 months supply. Excessive quantities on hand will appear on Report No. 23 or over stockage.

5-6.3AL continued

- b.. Report No. 30, 15-Month Projection of Stores Fund Requirements, identifies those items with purchase requirements in the last quarter of the current fiscal year and for the next fiscal year. First priority should be given to those items requiring purchase in last quarter of the current fiscal year and second priority to those in the first quarter of the next fiscal year.
- C0. Report No. 11, Stores Stock Transaction Register, can Also be used to identify items for year end purchase. Divide the Projected Average Monthly Issue Quantity into the Closing Inventory Quantity to arrive at current months supply on hand. 15 months minus current months supply on hand times PAMIQ equals maximum order quantity.

5-6.3AM ADP SUPPLY REPORTS

- (1) The ADP Supply Reports are part of your accountable records. These reports/listings are to be used .in the management and accountability of supplies. Section 5-6.9 and S-6.6 of this Chapter contains a sample and a detail write-up of each report.
- (2) The ADP Supply Reports are provided on a daily, weekly, monthly, quarterly,. semi-annual, annual or as requested basis. These reports are to be reviewed in detail to ensure their accuracy and immediate corrective action taken on any errors found, processing of any missing documents, etc.
- (3) Report No. 1 - Transaction Count
 - a. Report provides a count of your transactions by type.
- (4) Report No. 3 - Rejected Due In Transactions
 - a. The rejected report will contain any due in transaction that is rejected in the update processing.
 - b. The report of rejected due in transactions is to be reviewed and appropriate corrective action taken within one day after receipt of the report and the corrections submitted for reprocessing.
- C. Corrective Action
 - (1) When "No Account Match" is printed under the remarks column, this means the account code contained in the due in transaction does not match the account code contained in the Station Master Record. Check the Purchase Order and Supply Records for the correct

5-6.4AM continued

account code. Line through the incorrect account code and annotate the correct account code on the print-out. Check the Transaction Register to see if the receipt was processed for the item, if so; line the due in out and annotate "Do Not Reprocess".

- (2) When "No Station Master for Trans" is printed under the remarks column, this means there is no Station Master Record established for the item. Check to make sure the index number is correct for the item, if not, annotate the correct index number. Is the item a valid stock item, if so, establish a Station Master for the item and annotate the report to reprocess the due in.
- (3) When "No Space Available" is printed under the remarks column this means that the item has three (3) separate due ins already established. Check to be sure that the outstanding due ins listed on Report No. 14 - Stores Stock Due In Register are valid. If not, request the invalid due ins be cancelled. Is the current due in valid, if so, annotate the report to reprocess the due in. Check the Transaction Register to see if the receipt was processed for the item, if so, line the due in out and annotate "Do Not Reprocess".
- (41) When "No Purchase Order Match" is printed under the remarks column, this means the purchase order number contained in the Due In Reversal transaction does not match any of the purchase order numbers contained in the Station Master Record. If the purchase order number on the due in reversal transaction is valid, then the due in has already been cancelled. Line through the due in reversal and annotate "do not reprocess". If the purchase order number on the due in reversal should have been for a different purchase order; annotate the correct purchase order number on the report and mark reprocess.

- d. Dispose of reports 2 years after close of fiscal year involved.

(5) Report No. 4 - Rejected Stores Stock Receipt Transactions

- a. The rejected report will contain any receipt transaction that is rejected in the update processing.
 - b. The report of rejected receipt transactions is to be reviewed and appropriate corrective action taken within one day after receipt of the report and the corrections submitted for reprocessing.
-

5-6.4AM continued

c. Corrective Action

- (1) When "No Match Account" is printed under the remarks column, this means the account code contained in the receipt transaction does not match the account code contained in the Station Master Record. Determine the correct account code from other records and annotate the report with the correct account code and also correct your voucher file copy and the purchase order.
- (2). When "No Master For Trans" is printed under the remarks column, this means there is no Station Master Record for the transaction. Check to make sure the index number is correct for the item, if not, annotate the correct index number. If the index number is correct and the item is a valid stock item, establish a Station Master Record and annotate the report to reprocess.
- (3) When "Exceed Due In Qty" is printed under the remarks column, this means that the partial receipt quantity is equal to or greater than the quantity due in that is contained in the Station Master Record for that purchase order. Verify that the quantity received and dollar value listed on the report are correct (compare against original document). If correct, then this probably was a final receipt and the "P" (partial) code should be changed to an "F" (final) code. If the quantity is incorrect on the report, annotate the report with the correct quantity and mark reprocess. (This usually is caused when the vendor's unit of issue quantity is not converted to the station's unit of issue quantity.)
- (4) When "Exceed Due In Val" is printed under the remarks column, this means that the partial receipt value is equal to or greater than the value due in that is contained in the Station Master Record for that purchase order. Verify that the value listed is correct for the quantity received against the original document. If the value is correct, then this was probably a final receipt and the "P" code should be changed to an "F" code. If the value is incorrect on the report, annotate the report with the correct value and correct the voucher file copy. (This is usually caused when the partial receipt quantity is not priced out.)

5-6.3AM continued

(5) When "Exceed on Hand Quantity or Exceed on Hand Value" is printed under the remarks column, this means that the reversal receipt quantity and/or value is higher than the quantity on hand and/or value on hand contained in the Station Master Record. In other words, you cannot reverse out more than is on the records. If the quantity and/or value are incorrect, annotate the correct quantity and/or value on the report. If the quantity and value are correct, annotate the report to reprocess and initiate action to reverse out and re-enter all transactions from the time the original transaction was processed.

- d. Forward the annotated report for reprocessing of the transactions.
- e. Dispose of reports 5 years after close of fiscal year involved. (Transfer to Federal Records Center 3 years after close of fiscal year.)

(6) Report No. 5 - Rejected Stores Stock Issue Transactions

- a. The rejected report will contain any issue transaction that is rejected in the update processing.
- b. The report of rejected issue transactions is to be reviewed and appropriate corrective action taken within one day after receipt of the report and the corrections submitted for reprocessing.

c. Corrective Action

(1) When "Credit Balance" is printed under the remarks column, this means that the issue quantity for that transaction is higher than the record quantity on hand. In other words, you cannot issue out more than you have on hand. Things to check for:

- (a) Was there a receipt that was not processed or that is listed on the receipt error reports. If so, process the receipt annotate the issue to be reprocessed.
- (b) Was there a receipt that has been processed with the-incorrect quantity, i.e., the quantity received was based on the vendor's unit of issue and not the station's unit of issue. If so, correct and reprocess the receipt and annotate the issue to be reprocessed,

MANAGEMENT SERVICES)

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

- (c) Is the issue quantity correct as verified against the issue document. If not, annotate the -item with the correct quantity and mark reprocess. If the quantity is correct, mark the item reprocess.
- (d) Are previous quantities issued correct? If not, correct the previous issued quantities and annotate the report to reprocess the item.
- (e) After review of the above and no errors are found on the current and previous months reports, then an HHS-365, Inventory Adjustment Document, should be initiated to bring the item into balance. Adjustment quantity is arrived at as follows:

Take physical inventory count of the item.

Add any issues made from the last processing date through the physical inventory date.

Subtract any receipts for the item from the last processing date through the physical inventory date.

Add "Credit Balance Quantity or Quantities" as listed on Report No. 5.

Subtract the Record Balance as listed on Report No. 11.

The total of the above equals the quantity adjustment figure,

Example :

Physical Inventory of items as of 2/17	16	
<u>Plus</u> Issues from 2/1 - 2/17	4+	
<u>Minus</u> Receipt from 2/1 - 2/17	8	-
Sub-Total (This would be the Physical inventory quantity as of 1/31)	12	
Plus Credit Balance Quantities" on January's Report No. 5	4+	

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

Minus Record Balance on January's Report
No .11 3 -

Equals Adjustment Quantity of ----- 13 ---
Debit

12) When "No Master For Tr" is printed under the remarks column, this means there is no Station Master Record for the item. Check to make sure the index number is correct for the item, if not, annotate the correct index number. If the index number is correct and the item is a stock item, establish a Station Master Record and annotate the report to reprocess.

- d. Forward the annotated report for reprocessing of the transaction.
- e. Dispose of reports 5 years after close of fiscal year involved. (Transfer to Federal Records Center 3 years after close of fiscal year.).

(7) Report No. 6 - Rejected Area Master Record Transaction

- a. The rejected report will contain any Area Master Record Transaction that is rejected in the update processing.
- b. The report of rejected Area Master Transactions is to be reviewed and appropriate corrective action taken within one day after receipt of the report and the corrections submitted for reprocessing.
- c. Corrective Action
 - (1) "No Mast" printed under the remarks columns means there is no Area Master on file. Is the Index Number correct, if not, annotate on the report the correct Index Number and mark reprocess. If the Index Number is correct, line through the item and mark do not reprocess as the item was previously deleted.
 - (2) "Station Master on File" printed under the remarks column means there is a Station Master on File and the Area Master cannot be deleted. Is the Index Number correct, if not annotate on the report the correct Index Number and mark reprocess. If the Index Number is correct, mark reprocess and also process a "SD" transaction to delete the Station Master.

5-6.3AM continued

(3) "Area Master on File" printed under the remarks column means there is already an Area Master Record on File. Is the Index Number correct, if not, annotate on the report the correct Index Number and mask reprocess. If the Index Number is correct, line through the item and mask do not reprocess as the item is already established.

- d. Forward the annotated report for reprocessing of the transactions.
- e. Dispose of reports 2 years after close of fiscal year involved.

(8) Report No. 7 - Rejected Station Master Record Transactions

- a. The rejected report will contain any station master record transaction that is rejected in the update processing.
- b. The report of rejected station master record transactions is to be reviewed and appropriate corrective action taken within one day after receipt of the report and the corrections submitted for reprocessing.

c. Corrective Action

- (1) When "Bal O/H" is printed under the remarks column, this means that item has a quantity on hand and/or a Therefore, the delete transaction (5D) is rejected. Is the index number correct for the item to be deleted? If not, annotate the correct index number and mask reprocess. If the index number is correct and item is to be deleted from stock, take appropriate action to zero out the quantity on hand and/or the outstanding due in quantity and annotate the report to reprocess.
- (2) When "No Mast" is printed under the remarks column. This means that there is either no Station Master Record or no Area Master Record for the item. If the rejected transaction is a "SA", Establish Station Master Record, and is a valid stock item, establish an Area Master Record and annotate the report to reprocess the 5A transaction. If the rejected transaction is a "SC", Change to Station Master Record, or a "SD", Delete Station Master, verify that the index number is correct, if not, annotate on the report the correct

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

index number and mask reprocess. If the index number is correct, then the item must have been previously deleted. Line through the item and mark do not reprocess.

- (31) When "Wastes on File" is printed under the remarks column, this means there is a Station Master Record already on file. If the index number for the rejected "SA", Establish Station Master Record, transaction is correct, line through the item and mask do not reprocess. If the index number is incorrect, annotate the report with the correct index number and mask reprocess.

- d. Forward the annotated report for reprocessing of the transaction.
- e. Dispose of reports 2 years after close of fiscal year involved.

(9) Report No. 7A - Uses Level Changes/Deletes/Established

- a. The monthly report should be reviewed to ensure that the uses levels processed are correct. Once a pre-determined uses level is established, it can only be changed or deleted by another "5B" transaction. If a pre-determined user level is established as "18" and you want to change that to "12", process a "5B" transaction with a user level quantity of "12". If you wish to delete the "18", process a "5B" transaction with a uses level quantity of "zero".
- b. Dispose of report 2 years after close of fiscal year involved.

(10) Report No. 8 - *Area Master Record Changes/Deletes

- a. This report lists the acceptable area record changes and deletes processed during the accounting period.
- b. Check this report to ensure that all changes/deletes have been accurately processed.
- c. Dispose of report 2 years after close of fiscal year involved.

(11) Report No. 9 - Station Master Record Changes

- a. This report lists the acceptable station record changes processed during the accounting month.

MANAGEMENT SERVICES

CHAPTER.6 SUPPLY. MANAGEMENT- CENTRAL, OPERATIONS

5-6.3AM continued

- b. Check the changes listed on this report against the changes submitted to ensure that all changes have been processed accurately. If not se-submit the changes for reprocessing.
- C. Dispose of report 2 years after close of fiscal year involved.

(12) Report No. 10 - Monthly Vouches Summary Report

- a. This report lists all acceptable documents processed during the accounting month in vouches number sequence. Report provides number items and value by vouches number and summary totals by General Ledges Account. Forward the original copy to the appropriate station and the carbon copy to Finance.
- b. Check the entries on the vouches summary report against your voucher register to ensure that all entries are accurate and all vouchers are accounted for. Remember --- the Vouches Summary Report is your monthly bank statement and the voucher register is your check book --- they must be verified and balanced.
- c. Examples of corrective action to be taken when there is a difference between the Property Vouches Register, Form HRS-31, and Report No. 10, Monthly Vouches Summary Report.

(1) Missing Vouches - A vouches number assigned on the Property Vouches Register, HRS-31, is not listed on Report 10, Monthly Vouches Summary Report:

- (a) Check to see if the vouches is listed on one of the weekly/monthly error reports. If so, reprocess the error correction.
- (b) Check to be sure that the document was not processed under another voucher number. If not, process the document. If the document was processed under another voucher number, reverse out the incorrect entries and reprocess under the correct vouches number.

(2) Stock receipt line items and value as listed on the Property Vouches Register, HRS-31, does not match the number, line items and/or value on Report No. 10, Monthly Voucher Summary Report:

- (a) If the totals on Report 10 are less than those listed on the Voucher Register, check the weekly/monthly receipt error report to see if any
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MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

- 'transaction(s) is listed for the voucher number. If so, reprocess the error corrections and check to see if the reprocessing of the error correction will balance the totals between the Voucher Register and Voucher Summary. If not and if no error transaction(s) is found, compare the item(s) receipted for on the voucher against the items processed on Report No. 11, Stores Stock Transaction Register, to identify the item(s) that was not processed. Identify the item(s) that was not processed and submit for reprocessing.
- (b) If the totals, line items and value on Report 10 are higher than those listed on the Voucher Register, then an item(s) was keytaped as being received that was not receipted for. Compare the items listed on the document against Report 11, Stores Stock Transaction Register, to identify the item(s) that was processed in error. Identify the item(s) that was processed in error and reverse out.
- '(c) If the line items are correct, but there is a difference in dollar value between Report 10 and the Vouches Register, then one of the items was processed with incorrect dollar value. Compare the items listed on the document against Report 11, Stores Stock Transaction Register, to identify the item(s) that was processed with the incorrect value. Identify the item(s) that was processed with the incorrect value, reverse out and reprocess correctly.
- (3) Stock issue line items requested as listed on the Property Voucher Register, HRS-31, does not match the number line item requested as listed on Report 10, Monthly Voucher Summary Report.
- (a) If the number line items requested on Report 10 are less than that listed on the property Voucher Register, check the weekly/monthly issue error reports to see if any transactions are listed for the voucher number. If so, reprocess the error corrections and check to see if the reprocessing of the error corrections will balance the number line items requested between the Voucher Register, and Vouches Summary. If not and no error transaction is found, compare the items issued on the document against the items processed on Report No. 11, Stores Stock Transaction Register, to identify

\$06.3AM continued

the item(s) that was not processed. Identify the item(s) that was not processed and submit them for reprocessing.

- (b) If the number line items requested. on Report 10 are higher than that listed on the Property Vouches Register, compare the items issued on the document against the items ,processed on Report No. 11, Stores Stock Transaction Register, to identify the item(s) that was processed in error. Identify the item(s) processed in error and reverse out.
- (4) Stock adjustments/transfers line items and/or value listed on the Property Vouches Register, HRS-31, does not match the number line items and/or value on Report 10, Monthly Vouches Summary Report.
 - (a) Check the weekly/monthly error reports to see if any transaction(s) is listed for the vouches number. If so, reprocess the error correction and check to see if the reprocessing of the error correction will balance the figures on Report 10 against the Property Vouches Register. If not and if no error transaction(s) is found, compare the item(s) listed on the document against the item(s) processed on Report 11, Stores Stock Transaction Register, to identify the error(s). Identify the item(s) in error and submit for processing or reversal.
- (5) Direct issue line items and value as listed on the Property Vouches Register, HRS-31, does not match the number line items and/or value on Report No. 10. Monthly Voucher Summary Report.
 - (a) If the totals on Report 10 are less than those listed on the Voucher Register, check the weekly error reports to see if any transaction(s) is listed for the, vouches number. If so, reprocess the error correction and check to see if the reprocessing of the error correction will balance the totals between the Voucher Register and Voucher **Summary**. If not and if no error transaction(s) is found, compare the actual document against Report 10, Monthly Voucher Summary Report or Report No. 10A, to identify the error. Identify the item(s) that was not processed and submit for reprocessing.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

(b) If the totals on Report 10 are higher than those listed on the Voucher Register, compare the actual document against Report 10, Monthly Vouches Summary Report, or Report 10A to identify the error. Identify the item(s) processed in error and reverse out.

d. Dispose of reports 5 years after close of fiscal year involved. (Transfer to Federal Records Center 3 years after close of fiscal year.)

(13) Report No. 10A - Monthly Listing of Direct Issue Transactions

- a. This report provides a detail listing of all direct issue transactions in vouches number sequence. Forward to appropriate stations.
- b. This report should be reviewed each month and used to make any needed corrections.
- c. Dispose of reports 2 years after fiscal year involved.

(14) Report No. 11 - Stores Stock Transaction Register

- a. This report provides a detail listing of stock items that had activity during the processing period. This report is your detail stock record. It identifies the actual postings to the records, i.e., due ins, receipts, issues, adjustments reversals, etc.
- b. The report is by Pharmacy, Subsistence, and All Other. Report provides individual item totals and summary totals of active and inactive inventory, receipts, issues, due ins adjustments and number of items and value of items with no issues by month.
- c. Review this report in detail to ensure that all transactions are accurately processed.
- d. Examples of things to look for and corrective action to be taken are:
 - (1) Is there a major difference in the receipt unit cost as compared to the opening unit cost. If so, check the voucher to be sure that the receipt quantity and value are correct. If not, reverse out the incorrect entry and re-enter correctly.

5-6.3AM continued

- (2) Is there a major difference in the due in unit cost as compared to the opening unit cost? If so, check the purchase order to be sure that the due in quantity and value are correct.- If not, cancel the incorrect entry and reenter correctly.
- (3) Is the receipt source code different than the source code contained in the Station Master Record? (The unit cost is identified with an asterick when they are different.) If so, has there been a change in vendors. If these has been, then you need to update your Station Master Record with the correct vendor name, order number, source code, etc.
- (4) Are these odd or inconsistent issue quantities, i.e.,
 - (4 Station unit of issue is PG of 25 - quantity of 25 is listed as being issued - were there 25 packages issued os was these&package issued?
 - (b) Item is **Needle, Hypo**, Disp. 100/Bx - station unit of issue is EA - quantity of-listed as being issued - was there 1 each issued or was there 1 Box of 100 issued?
 - (cl Item is Juice, apple, 46 oz. can - station unit of issue is CN - quantity of 1 is listed as being issued - was these just 1 can issued or was there 1 case of 12 issued?
 - Cd) Quantities listed as being issued are in multiples of 10, except for one issue of 1 - should the quantity be 1 or should it be 10?
 - (e) Reverse out any incorrect entries and reprocess correctly.
- IS) Is there zero (0) or partial issue quantities listed for the item? If so, is the record inventory quantity correct, i.e., the opening inventory quantity on Report 11 is 16, no receipts were processed during the month, one issue for a quantity of 4 was processed and one 0 issue transaction is listed, and the closing balance is
If in fact, the physical inventory was zero and there was a stock issue request that was zeroed out, than your accountable inventory records are off. Whenever these is a zero (0) or partial issue listed, verify that your records and the physical stock on the shelf are in balance. If not, your records should be adjusted.

MANAGENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

- (a) Prior to any adjustment, check current and previous transactions for possible errors that would correct the difference, i.e.,
- (1) Was these a receipt that had been processed with the incorrect quantity? If so, have the incorrect, transaction reversed out and reprocessed correctly.
- (2) Are previous issue quantities correct? If not, have the incorrect issue transaction reversed out and reprocessed correctly.
- (b) If no current or previous error transaction(s) can be found that would correct the difference, arrive at the adjustment quantity as follows:

Take physical inventory count of the item.

Add any issues made from the processing date through the physical inventory date.

Subtract any receipts for the item from the processing date through the physical inventory date.

Subtract the Record Balance as listed on Report No. 11.

A negative total of the above equals the credit quantity adjustment. (This means your record quantity was higher than the physical inventory quantity.)

Example of Credit Adjustment Quantity:

Physical inventory of item as of 2/17	26	
<u>Plus</u> issues from 2/1 - 2/17	6+	
<u>Minus</u> receipts from 2/1 - 2/17	24-	
Sub-total (This would be the physical inventory quantity as of 1/31.)	8	
Minus Record Balance on January's Report No. 11	2	0
Equals Credit Adjustment of credit	12 -	

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

- e. Refer to Exhibit 5-6.10A(12) for samples of errors that can be found on the Transaction Register, Report No. 11.
- f. Dispose of reports 5 years after close of fiscal year involved. -(Transfer to Federal Records Center 3 years after close of fiscal year.)

(15) Report No. 12 - Listing of Stores Stock Inactive Items

- a. This report contains all stores stock items that did not have any acceptable transactions during the accounting month. The report provides by item the number of months without any issues, projected average monthly issue quantity, months supply on hand, quantity on hand, inventory value and due in quantity; Report is by Pharmacy, Subsistence, and All Other.
- b. Review this report in detail. Things to look for and action to be taken:
 - (1) Are there excessive Months Supply on Hand? Any item with over 15 months supply on hand is probably excessive. Report excessive supplies on hand to other area/program offices for their possible usage.
 - (2) Are there items with no issues in 4 months or longer? If so, review the items with the ordering activity to verify whether or not the item(s) should be retained as stores stock or not. If it is not to be retained as stock, change the EOQ Type Code to "R", Obsolete Item - Do not Reorder. Report to other area/program offices the quantity that is in excess of the quantity that will be used by your area. NOTE: Items with no issues in 13 months or longer are probably dead stock.
 - (3) Are there items with no issues since the item was established. (Items with an asterick by the last issue date.) If so, advise the ordering activities that the item is available from stores stock.
 - (4) Are there items with zero (0) quantity on hand and zero (0) due in? If so, are they valid stock items or should they be deleted? If they are to be deleted, delete the item(s).
 - (5) Are there items with no issues in four (4) months or longer with a due in quantity and zero (0) quantity on hand? Is the due in quantity valid? Is the item a valid stock item? If the due in quantity is not valid, cancel the due in. If the item is not a valid stock item, delete the item.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5.-6.3AM continued

- c. Remember --- those items without any issues in 13 months or longer and those items with a quantity on hand in excess of 12 times the PAMIQ plus RPQ will be listed on a special monthly report as overstocked/inactive supplies to your needs and circulated to other IHS areas for their utilization.
- d. Dispose of reports 5 years after close of fiscal year involved. (Transfer to Federal Records Center 3 years after close of fiscal year.)

(16) Report No. 13 - Requirements Analysis Report

- a. This report contains those items that are to be reviewed for possible order/purchase. Items appear on this report, when the stock status of the item is equal to or below the review point quantity, or when the action month modifier is equal to the accounting month. Suggested order quantities contained on the report are based on the EOQ Principle of Stock Replenishment. Report is provided for Drugs, Subsistence, and All Other by Vender Name.
- b. The suggested economic order quantity printed for the item is the quantity that should be purchased for those items that have a valid requirement. (It may be necessary to adjust the quantity to agree with vendor unit of issue.) The EOQ Principle of Stock Replenishment is one of the most effective tools used in inventory management and is prescribed for use by all Government agencies. The "Economic Order Quantity" (EOQ) principle is a mathematically proven solution for arriving at the lowest total costs for ordering and holding inventory to meet expected supply requirements. The EOQ method will reduce the total number of orders by ordering items with low dollar requirements infrequently, and by ordering smaller quantities of the items with high dollar requirements, the total inventory value is reduced.
- c. Review each item on the report in detail. It may be that the item does not need to be ordered,, but the Review Point Quantity decreased or the item may have been purchased the previous month(s) and the due in not processed.
- d. Things to look for and action to be taken:
 - (1) Are the EOQ Type Code and Modifiers, if any, proper for the item? Examples:
 - (a) The type code is "P - Standby", but there have been issues for most of the months. Should the

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

item be classified as, Standby or should the type code be changed?

(b) The type code is "B - High Cube" with a quantity modifier of 40. The PAMIQ for the item is 81. Is the quantity modifier of 40 proper or should the modifier be changed?

(c) The type code is "A - Standard" and there have been no issues or only one or two issues in the past 12 months. Should the item be deleted or the type code be changed to "P - Standby"?

(2) Does the PAMIQ appear to be in line with the-actual issues for the latest six months? Examples:

(a) The PAMIQ is 318 - the latest six months actual average usage is 653. Should the PAMIQ and RPQ be changed? Yes - Multiply the L-AMIQ by the Review Point months.

(b) The PAMIQ' is 5 - the latest-six months actual average usage is 1. Should the PAMIQ and RPQ be changed? Yes - Multiply the Latest Average' Monthly Issue Quantity by the' Review Point Months.

(c) The PAMIQ is 39 - the latest six months actual average usage is 35. Should the PAMIQ and RPQ be changed? No -- the PAMIQ is in line with the actual average monthly usage.

(3) Are the source code, vendor name, order number correct?

e. The purpose of this section is to review the effect that different EOQ Type Codes have on the Requirements Analysis Report and the calculations of various other data that is contained on the report.

(1) PAMIQ - Projected Average 'Monthly Issue Quantity

The current month's PAMIQ is arrived at by taking 90% of the Previous Month's PAMIQ plus 10% of the current month's Issue Quantity plus half-adjusting (adding .5 - refer to item 2 for the effects of adding .5) equals PAMIQ for Current Month. If the item has been in the system 12 months or less, the PAMIQ is based on a 60/40 ratio.

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CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

The PAMIQ can be changed, up or down, by changing the Review Point Quantity with the submission of a 5C Transaction. When there is a SC Transaction that contains a new Review Point Quantity, the computer will divide the Review Point Quantity by the Review Point Months (Lead Time Months plus 1.0 Safety Stock Month equals Review Point Months) to arrive at a new PAMIQ. PAMIQ is recalculated for an item each month, except when the item EOQ Type is P - Standby.

(2) Half-Adjusting (.5) and Its Effect on PAMIQ

When the previous month's PAMIQ is 0 through 5, the current month's PAMIQ cannot drop below the previous month's PAMIQ in the routine calculations. Examples :

(a) Previous Month's PAMIQ 5 = $5 \times 90\% = 4.50$
Current Month's Demand 0 = $0 \times 10\% = .00$
Half-Adjusting (Adding .5) = .50
Equals Current Month's PAMIQ of 5.00 = 5

For the current Month's PAMIQ to increase above 5, the current month's issue quantity would have to be 10 or greater. To decrease below 5, a "SC" transaction is require-processed.

(b) Previous Month's PAMIQ 4 = $4 \times 90\% = 3.60$
Current Month's Demand 0 = $0 \times 10\% = .00$
Half-Adjusted (adding .5) = .50
Equals Current Month's PAMIQ of 4.10 = 4

For the Current Month's PAMIQ to increase above 4, the current month's issue quantity would have to be 9 or greater. To decrease below 4, a "5C" transaction is required processed.

(c) Previous Month's PAMIQ 3 = $3 \times 90\% = 2.70$
Current Month's Demand 0 = $0 \times 10\% = .00$
Half-Adjusted (adding .5) = .50
Equals Current Month's PAMIQ of 3.20 = 3

For the Current Month's PAMIQ to increase above 3, the current month's issue quantity would have to be 8 or greater. To decrease below 3, a "SC" transaction is required to be processed.

(d) Previous Month's PAMIQ 2 = $2 \times 90\% = 1.80$
Current Month's Demand 0 = $0 \times 10\% = .00$
Half-Adjusted (adding .5) = .50
Equals Current Month's PAMIQ of 2.30 = 2

MANAGEMENT SERVICES .

SUPPLY MANAGEMENT' CENTRAL OPERATIONS.

5-6.3AM continued

For the Current Month's PAMIQ to increase above 2, the current month's issue quantities have to be 7 or greater. To decrease below 2, a "5C" transaction is required to be processed.

- (e) Previous Month's PAMIQ 1 = $1 \times 90\% = .90$
Current Month's Demand 0 = $0 \times 10\% = .00$
Half-Adjusted (Adding .5) = .50
Equals Current Month's PAMIQ of 1.40 = 1

For the Current Month's PAMIQ to increase above 1, the current month's issue quantity would have to be 6 or greater.

- (f) Previous Month's PAMIQ 0 = $0 \times 90\% = .00$
Current Month's Demand 0 = $0 \times 10\% = .00$
Half-Adjusted (adding .5) = .50 *
Equals Current Month's PAMIQ of .50

For the Current Month's PAMIQ to increase above 0, the current month's issue quantity would have to be 5 or greater.

Special attention must be made when the PAMIQ listed on the Requirements Analysis Report is 5 or less to be sure that the PAMIQ is in line with the actual average monthly issue quantity. If not in line, submit a 5C Transaction to change the Review Point Quantity, which in turn will change the PAMIQ. The Review Point Quantity is arrived at by taking your PAMIQ times Review Point Months.

(3) RPQ - Review Point Quantity

The Current Review Point Quantity is arrived at by taking the Current PAMIQ times Review Point Months.

The RPQ can be changed, up or down, by submission of a 5C Transaction.

The RPQ is recalculated for an item each month, except when the item EOQ Type Code is P - Standby.

(4) RPM - Review Point Months

The Review Point Months is arrived at by taking the Lead Time Months plus Safety Stock Month (1.0) equals RPM. The Review Point Months can be changed, up or down, by submission of a 5C Transaction that changes

5-6.3AM continued

the Lead Time Months. Safety Stock Month of 1.0 is a set figure.

(5) AMIQ- Average Monthly Issue Quantity

The Average Monthly Issue Quantity is arrived at by dividing the-total issue quantity by 12 or if the item has been in the system less than 12 months, then by the number of months the item has been in the system,

(6) PAMIV - Projected Average Monthly Issue Value

Projected Average Monthly Issue Value is arrived at by taking the PAMIQ times the Last Unit Purchase Price. PAMIV can be changed, up or down, by submission of a 5C Transaction that changes the Last Unit Purchase Price. The Last Unit Purchase Price is automatically updated when the receipt transaction source code is the same as the source code contained in the Station Master Record. In most cases, the EOQ Months of Supply to order is based on the PAMIV. Therefore, if the Last Purchase Price is incorrect, the EOQ Months may be too' high or too low.

(7) EOQ Months of S~#J

The EOQ Months of Supply is arrived at by comparing the PAMIV to the value ranges contained on the EOQ Table that is used, for the station. Refer to Look-Up Table No. 8 for EOQ Tables.

(8) Stock Status

Quantity on Hand plus Quantity Due In minus Quantity Due Out equals = Stock Status of an Item.

Items appear on the Requirements Analysis Report when the Stock Status is equal to or below the Review Point Quantity. Therefore, it is critical that **the** Stock **Status** of an item be accurate. Examples:

- (a) If the Stock **Status** is overstated, (invalid due ins, issues not processed, etc.) the item **may** not appear on the Requirements Analysis Report in time for normal stock replenishment.
- (b) If the Stock Status is understated, (due ins not processed, receipts not processed, incorrect quantity receipted for, etc.) the item may appear

5-6.3AM continued

on the Requirements Analysis Report, even though, there is no need to review the item for stock replenishment.

- (9) EOQ Type Code A - Standard Item - Any item of supply that can be procured for inventory based on the EOQ Principle of Stock Replenishment without any modifications.

Items with EOQ Type Code A appear on the Requirements Analysis Report when the Stock Status of the item is equal to or below the current Review Point Quantity.

Modifier Required - None

Economic Order Quantity is arrived at as follows:

$EOQ \text{ Months} \times PAMIQ + RPQ - \text{Stock Status} = EOQ$

- (10) EOQ Type Code B - High Cube Item - Modified EOQ - Any item which requires a cubic foot storage requirement in excess of available space for the item when replenished and received in quantities developed by the application of basic BOQ. Therefore, requirements developed by EOQ must be modified accordingly.

Item with EOQ Type Code B appear on the Requirements Analysis Report when the Stock Status of the item is equal to or, below the current Review Point Quantity.

Quantity Modifier Required - The quantity modifier is to be the maximum quantity based on your unit of issue that storage space is available for at any point in time. The Quantity Modifier can be changed, up or down, by submission of a 5C Transaction that contains EOQ Type Code B and the quantity modifier. If EOQ Type Code B is not correct for the item, submit a SC Transaction with the correct EOQ Type Code.

Economic Order Quantity is the lesser results of the following three (3) calculations.

- (a) $EOQ \text{ Months} \times PAMIQ + RPQ - \text{Stock Status} = EOQ (?)$
- (b) $\text{Quantity Modifier} + RPQ - \text{Stock Status} - \text{Safety Stock Quantity} = EDQ (?)$
- (c) $\text{Quantity Modifier} = EOQ (?)$

MANAGEMENT SERVICES

CHAPTER

SUPPLY MANAGEMENT .- CENTRAL OPERATIONS

5-6.3AM continued

The reason for the different calculations is that the order quantity when received, plus on hand quantity, should not exceed the space available for the item. However, this does not mean that the order quantity when received, plus on hand quantity, would always bring the item quantity up to the quantity modifier.

If the Economic Order Quantity under (11, Basic EOQ Principle of Stock Replenishment, is the smaller figure, that would be the proper quantity to order. In which case, the quantity modifier may be excessive or the EOQ Type Code needs to be changed to A - Standard Item.

- (11) EOQ Type Code C - Short Shelf Life Item - Modified EOQ
Any item that has a short shelf life based upon the degree of temperature range applied to the storage area or other factors implied or expressed by the manufacturer. Therefore, requirements determined by EOQ must be modified accordingly.

Items with EOQ Type Code C appear on the Requirements Analysis Report when the Stock Status of the item is equal to or below the current Review Point Quantity.

Months of Supply Modifier Required - The Months of Supply Modifier would be the normal months of life expectancy left for the item when received. The Months of Supply Modifier can be changed, up or down, by submission of a SC Transaction that contains EOQ Type Code C and the new months of Supply Modifier.

NOTE: EOQ Type Code C should only be used for those ITEMS that normally have a life expectancy of 12 months or less when received.

Economic Order Quantity is the lesser results of the following three (3) calculations.

- (a) $\text{EOQ Months} \times \text{PAMIQ} + \text{RPQ} - \text{Stock Status} = \text{EOQ (?)}$
- (b) $\text{Months of Supply Modifier} \times \text{PAMIQ} + \text{RPQ} - \text{Stock} - \text{Safety Stock Quantity} = \text{EGQ (?)}$
- (c) $\text{Months of Supply Modifier} \times \text{PAMIQ} = \text{EOQ (?)}$

The reason for the different calculations is that the order quantity when received will not be in excess of the quantity to be used within the months of Supply Modifier.

5-6.3AM continued

- (12) EOQ Type Code D - Freezable ITeM - Modified EOQ - Any, item of supply that will only be shipped by the manufacturer/vendor during certain time period due to the item being subject to freezing if improperly packaged and stored or transported at certain time periods.

Items with EOQ Type Code D appear on the Requirements Analysis Report when the Stock Status of the item is equal to or below the current Review Point Quantity and when the Action Month Modifier is equal to the processing month.

Action Month Modifier Required - The action Month or Months Modifier would be the month or months that you want the item to appear on the Requirements Analysis Report regardless of current quantity on hand. There can be one Action Month Modifier per quarter. The Action Month(s) Modifier can be changed by the submission of a 5C Transaction.

Economic Order Quantity is calculated the same as for EOQ Type Code A. You may need to adjust the order quantity to meet demands during the period when the manufacturer/vendor will not make shipments.

- (131) EOQ Type Code F - Flammable - EOQ Type Code F is used to identify Flammable liquid stock items from other stock.

Items with EOQ Type Code F are treated and processed the same as items with EOQ Type Code A - Standard EOQ Item.

- (14) EOQ Type Code P - Standby Item - Any item of supply not required in normal day-to-day operations, but which is required to be immediately available to meet emergency requirements which do not allow delay, without resulting in the possibility of: endangering life; damage, loss, or destruction of Government property; and substantial financial loss to the Government due to interruption of operations.

Items with EOQ Type Code P appear on the Requirements Analysis Report when the Stock Status of the item is equal to or below the Review Point Quantity.

The Review Point Quantity remains static and is changed only when there is a 5C Transaction processed that contains EOQ Type Code P and a new Review Point Quantity.

MANAGEMENT SERVICES

CHAPTER 6 SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

Economic Order Quantity is not calculated for items coded with -EOQ Type Code P.

- (15) EOQ Type. Code Q - Seasonal.Item - Modified EOQ - Any item of supply required for specific time period(s) within a 120month cycle either in quantities in excess of the normal requirements or as a single one-time annual requirement. In either instance, the existence of the requirement requires planned procurement. The quantities necessary for the season must be developed in coordination with the User(s) and cannot be totally determined by EOQ methods of stock replenishment.

Items, with EOQ Type Code Q appear on the Requirements Analysis Report when the Stock Status of the item is equal to or, below the current Review Point Quantity, and when the Action Month Modifier is equal to the processing month.

Action Month Modifier Required - The Action Month or Months Modifier would be the month or months that you want the item to appear on the Requirements Analysis Report regardless of current quantity on hand. There can be one Action Month Modifier per quarter. The Action Month(s) Modifier can be changed by the submission of a SC Transaction.

Economic Order Quantity is calculated the same as for EOQ Type Code A items. You may need to adjust the economic order quantity, up or down, based on seasonal requirements.

- (16) EOQ Type Code R - Obsolete Item - Any supply item in stock that has been Identified to be discontinued when present stock is used up should be coded R. When the quantity on hand and the due in quantity are zero balance, a 5D Transaction should be processed to delete the item from your records.

Items with EOQ Type Code R do not appear on the Requirements Analysis Report.

- (17) EOQ TYPE CODE Y - Yearly Item - Modified EOQ - Any item of supply where the determination has been made and approved by the Area Supply Management Officer to be reviewed only on an annual schedule.

Items with EOQ Type Code Y appear on the Requirements Analysis Report when the Action Month Modifier is equal to the processing month.

5-6.3AM continued

Action Month Modifier Required - The action month modifier would be the month that you want the item to appear on the Requirements Analysis Report regardless of current quantity on hand.

Economic Order Quantity is not calculated for Type Code Y items.

- f. Refer to Exhibit 5-6.10A(13) for samples of Requirements Analysis Reports.
- g- Keep your supply records current. Use Exhibit 5-6.10A(18) to record and submit needed changes.
- h. Dispose of reports 2 years after close of fiscal year involved.

(17) Report No. 14 - Stores Stock Due In Register

- a. This report provides a listing in index number sequence of those items on order and not received. A summary of due in values by Sub-Sub-Activity and General Ledger Account is provided at the end of the report.
- b. Compare the items listed on this report against your pending purchase orders. Items that are past the due date are identified with the number of days late.
- c. Corrective action to be taken:
 - (1) If the item was cancelled by the vendor, annotate the report "Cancel - Item cancelled by Vendor".
 - (2) If the item was received in a previous month, check to ensure that the item was processed. If not, reprocess the receiving report. If the receiving report was processed, but there was a difference in purchase order number, annotate the report "Cancel - Received on Voucher _____".
 - (3) If there is a duplicate due in, annotate the report "Cancel - Duplicate: .
 - (4) If there are items on order that are not listed on the report, establish Due Ins for those Items.
- d. The Due In Register should contain any valid due in. DO NOT cancel a due in just because it is past the due in date. If the due in is valid leave on the report.

5-6.3AM continued .

- e. Due ins are cancelled in the update processing when the purchase order number in the receipt transaction matches the purchase order number contained in the Station Master Record and there was an "F" (Final) code in the receipt transaction or when there is a match between the due in reversal transaction and the Station Master Record on purchase order number. Due ins are decreased when the receipt transaction contains a "T" (Partial) code and there is a match between the receipt purchase order number and the purchase order number contained in the Station Master Record
- f. The annotated report should be completed and processed within five (5) days after receipt.
- 89 Dispose of reports 2 years after close of fiscal year involved.

(18) Report No. 15 - Monthly Cost Report

- a. This report provides current month and year-to-date values of storeroom issues, direct issues, and fuel oil by sub-station, user code, CAN and general ledger account.
- b. Forward the original printed copy to the appropriate facility and the carbon copy to Finance.
- c. Information contained on this report can be used to establish budgets by ordering activities, provide cost by user, identify high cost users, increased user cost, etc.
- d. Dispose of report 2 years after close of fiscal year involved.

(19) Report No. 16 - Station Monthly Sub-Sub-Activity Report

- a. This report provides current month and year-to-date values of storeroom receipts, storeroom issues and direct issues by sub-sub-activity and general ledger account.
- b. Forward the original printed copy to the appropriate facility and the carbon copy to Finance.
- c. Information contained on this report can be used in the budget process and to identify cost by Sub--Sub-Activity.
- d. Dispose of reports 2 years after close of the fiscal year involved.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

(20) Report No. 17 - Area Monthly Sub-Sub-Activity Report

- a. Same data as Report No. 16, except totals on this report are overall area totals.
- b. This report can be used to compare overall issues by sub-sub-activity and to compare percentage-of stock issues versus direct issues.
- c. Dispose of report 2 years after close of fiscal year involved.

(21) Report No. 19 - Station Monthly Supply Summary Data By Account

- a. This report contains data on opening and closing inventory values, months supply on hand, receipt values, issue values, adjustment values number and value of items with no issues, due in value, months supply due in, number documents processed, number line items processed, number and percent of storeroom requests that are partial filled and zero filled, etc.
- b. Review this report in detail with the Supply Service Center Director. This report provides an overall summary of the station supply operation. It provides inventory data, supply effectiveness data and workload data.
- c. Distribute to appropriate facilities.
- d. Questions:
 - (1) Is the months supply on hand in inventory too high or too low? Range should be 2.6 - 4.0 months.
 - (2) Is the value and number items with no issues in 7-9 months, 10-12 months, and longer excessive?
 - (3) Is the number months supply due in too high or too low?
 - (4) Are the number of supply outages excessive?
 - (5) Are the number of partial supply fills excessive?
 - (6) Is the 100% issue fill rate too low or too high?
- d. Dispose of reports 2 years after close of fiscal year involved.

5-6.3AM continued

(22) Report No. 20 - Area Monthly Supply Summary Data by Account

- a. Same date as Report No. 19, except totals are for the area.
- b. Forward the original copy to the Supply Service Center
-Director and/or his/her supervisor. Forward the carbon copy to Finance.

(23) Report No. 22 - Stores Stock Supplies Provided to contractors/Grantees

- a. This report is a detail transaction listing of supplies provided to Contractors/Grantees.
- b. Distribution at area option.

(24) Report No. 23 - Listing of Overstocked/Inactive Items

- a. Items that have not had any issues in 13 months or longer and other items where the quantity on hand is in excess of 12 times the PAMIQ plus RPQ are listed on this report by Drugs, Subsistence, and All Other. Review this report for accuracy.
- b. Copy of this report is provided to other areas on a quarterly basis for requisition of supplies that are unrequired/overstocked in your area.

(25) Report No. 24 - Supply Expiration Report

- a. This report lists those items that contain an expiration date of 4 months or less from the computer processing date. Report is in index number sequence by Drugs, Subsistence, and All Other.
- b. Review this report in detail against the physical stock on hand to see if any stock is on hand with the expiration date listed. If there is a quantity on hand, with the expiration date listed, will that quantity be used up prior to expiration? Check with the user on questionable quantities. If there are quantities on hand that cannot be used prior to expiration, refer to 5-6.3X for appropriate action.
- c. Forward a copy of this report to each service unit.
- d. Dispose of report 2 years after close of fiscal year involved.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

. (26) Report No. '25 - Pharmacy Quarterly Inventory List of R and N Items .

- a. Report list those pharmacy items, account code 1, that contain a pharmacy code of R and N. Report is provided as of March 15th, June 15th, September 15th and December 15th.
- b. The report is to be used for the quarterly inventory of Narcotics and Restricted Drugs. Example: The report as of March 15th is to be used to record the physical inventory count as of close of March business (March 31).
- c. Refer to 5-6.32 for inventory procedures.
- d. Dispose of reports 2 years after close of fiscal year involved.

(27) Report No. 26 - Preprinted Issue Books

- a. This report provides a tailor-made issue book for each requisitioner. Items will be listed in the issue book if there has been an issue to the user during the previous 12 months from the processing date of the books or if the item has a predetermined user level. Separate books are provided for Drugs, Subsistence and All Other.

An asterick under the U/I indicates the U/I has been changed within the past 12 months.

- b. Issue books printed August 15th will be for use during the period October-March by the requisitioner. Issue books printed February 15 will be for use during the period April-September by the requisitioner.
- c. The Preprinted Issue Books contain, description of item, index number, unit of issue, user level, unit cost of the item, previous 6 months total issue quantity, number of documents processed for the user in the past 6 months (is the number of documents excessive), and prior year usage (PYIQ) of the item by ordering month.
- d. The requisitioner is to enter in black ink the quantity on hand (Q-OH) of the item and the order quantity (ORDQ). The order quantity is the User Level minus the quantity on hand or else the PYIQ (prior year usage) minus the quantity on hand. The issue book should not be processed when the quantity on hand column is not completed as this is the key to arrive at a realistic order quantity. Unusual order quantities should be clarified with the requisitioner prior to the item being issued. Examples:

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

- (1) The order quantity is 60, but the User Level is 20 and the quantity on hand is 15. Why are 60 being ordered?
Based on actual figures, the order quantity would be 5.
 - (2) The order quantity is zero (0) -but the User Level is 40 and the quantity on hand is 10. Why is zero (0) being ordered? Based on actual figures, the order quantity would be 30.
- e. Refer to 5-6.6L for various report sequences.
- f. The issue book is part of your accountable supply records. Dispose of issue books 5 years after close of fiscal year involved. (Transfer to Federal Records Center 3 years after close of fiscal year.)
- (28) Report No. 26A - Cupboard Stock Bin Labels
 - a. This report provides bin labels for the individual users cupboard stock storage area. The bin label contains the Index Number, Unit of Issue, User Level, Description of the item, Sub-Station Code and User Code.
 - b. This report (bin labels) must be requested from your SSC Computer Unit. Refer TO 5-6.6M for various report sequences.
- (29) Report No. 26B - Warehouse Bin Labels
 - a. Refer to 5-6.6N for sample labels and label selection options. Report is available on request from your Computer Unit.
- (30) Report No. 27 - Area Stores Receipts and Direct Issue Values by Account and Source
 - a. Report provides values and percentages of receipts by general ledger account within source code on a semi-annual basis. Totals are provided for each station and overall area.
 - b. Review the report to identify percentage that are not obtained from mandatory sources. Provide a copy of the report to the Area Procurement Officer.
- (31) Report No. 29 - 12-Month Projection of Stores Fund Requirements
 - a. This report provides a projection of funds required for each stock item during the current fiscal year. The fund projection is based on the EOQ Principle-of Stock Replenishment. Report is processed October 15th by DPSC.

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

(35) Report No. 34 - Area Master Index Number Catalog Listing

- a. Listing of all items carried in stores stock in index number sequence. Report contains the description of the item, unit of issue, identifies stations that stock the item, usage, PAMIQ, type code, source code, etc.
- b. On request report from your Computer Unit.

(36) Report No. 34A - Area Master Index Number Listing of Object-Subobject Code 26XX

- a. Report is same format as Report No. 34, except 34A is a listing of a single object-subject code.
- b. On request report from your Computer Unit.

(37) Report No. 35 - Area Master Alphabetical Catalog Listing

- a. Same as Report No. 34, except in alphabetical sequence.
- b. On request report from your Computer Unit.

(38) Report No. 35A - Area Master Alphabetical Catalog Listing of Object-Subobject Code 26XX

- a. Same as Report 35, except 3SA is for single object-subobject code.
- b. On request report from your Computer Unit.

(39) Report No. 37 - Physical Inventory ,Listing

- a. Report is available in various sequences and options. Refer to 5-6.6s for options.
- b. This report is to be used in taking the annual inventory.
- c. Report is provided on request from your Computer Unit.
- d. Dispose of reports 2 years after close of fiscal year involved.

5-6.3AM continued

(40) Report No. 39 - Inventory Analysis Detail Listing; Report No. 40 - Inventory Analysis by 'EOQ Months; and Report No. 41 - Inventory Analysis of Low Activity Items; Report No. 41A - Summary Analysis of Inventory

- a. These reports provide information on each stock item. Information provided is description, average unit cost, on hand quantity, stock status quantity, annual issue quantity, usage AMIQ, master record PAMIQ, usage RPQ, master record RPQ, months stock status, annual issue value, AMIV, number of calls (issues), number of purchase orders (final receipts), EOQ months, etc.
- b. Review these reports 'in detail. Items with no issues or with 1 or 2 issues in the past 12 months, should they be deleted from stock. Is there excessive months supply on hand for items? Are there excessive purchase actions? Compare the actual usage, AMIQ and RPQ, to the computer PAMIQ and RPQ, does the computer record need updating, etc.
- c. Reports are provided on request from DPSC.
- d. Dispose of reports when no longer needed.

(41) Report No. 42 - Station Alphabetical Catalog Listing

- a. Reports provide an alphabetical listing of stock items by Drugs, Subsistence, and All Other. Index number, description, unit of issue, average unit price, source code, vendor name, order number, date item established, account code, object and sub-object code, previous U-months usage, PAMIQ, Pharmacy code and EQQ type code are contained on the report.
- b. Report is provided on request from your Computer Unit.
- c. Dispose of report after receipt of new listing.

(42) Report No. 43 - Stores and Equipment Index Register

- a. Register of Index Numbers that are in use by the area and Index Numbers that are available for assignment.
- b. On request report from DPSC.

(43) Report No. 45 - Supply Usage Report by Sub-Station

- a. Report provides issue quantities by month for each sub-station and overall usage by month and total usage, Report is provided by Drugs, Subsistence, and All Other.

5-6.3AM continued

- b. This report is to be used to monitor supply usage by location, -identify usage trends, and to identify high/low usage months.
- c. Report is provided by DPSC on request.
- d. Dispose of report thirty (30) days after receipt of new report.

(44) Report no. 46 - Analysis of Stock Items By Vendor

- a. Report provides a cross reference of items to vendor, projected usage, annual issue value, and totals by source codes.
- b. Report is provided on request from your Computer Unit.
- c. Dispose of report when no longer needed.

(45) Report No. 47 - Supply Usage Detail Listing

- a. ' Report provides each month's issue quantity by user within a facility, allows for usage comparison between users, and will assist in reconciliation of inventory overages/shortages.
- b. Report is provided by DPSC on request.
- c. Dispose of report when no longer needed.

(46) Report No. 49 - Data Exception Analysis Report

- a. Report list those items that have data that needs to be reviewed, verified and/or updated.
- b. Report is provided by DPSC on request.
- c. Dispose of report when no longer needed.

(47) Report No. 50 - Detail Usage -Report by Sub-Station

- a. Same as Report No. 47, except data is further broken out by sub-station. Report is provided on request from DPSC.

(48) Report No. 70 - Issue/Shipping/Invoice Document

- a. Report is generated for stock issue requests that are preposted to the inventory records.

5-6.3AM continued

- b. Report-is used to issue supplies from the warehouse and the carbon copy of the report provided to the facility for their files.
- c. The original copy is filed in your voucher file as part of your accountable records.

(49) Report No. 71 - Back Order Issue/Shipping/Invoice Document

- a. Report is automatically generated, by the computer for items that are on Back Order and quantities become available for issue.
- b. Report is used to issue supplies that were on Back Order from the warehouse. The carbon copy is provided to the facility for their files.
- c. The original copy is filed in your voucher file as part of your accountable records.

(50) Report No. 72 - Undelivered Purchase Order - Follow Up Report

- a. Items are listed on this report when they have not been received within seven (7) days past the scheduled delivery date and/or seven (7) days since last follow up.
- b. Report is to be used by the Procurement Unit to document follow up action taken.
- c. File original copy in the purchase order file and forward the carbon copy to other appropriate personnel.

(51) Report No. 73 - Stock Outage-Low Inventory-Due Out Report

- a. Report lists those items that have zero quantity on hand and/or quantity on hand is less than the Review Point Quantity.
- b. Report can be used to ensure that items with zero or low quantity on hand are on order and that the order quantity will eliminate existing due outs and bring the inventory quantity back up to an acceptable level.
- c. Dispose of report when it is no longer needed.

MANAGEMENT SERVICES

CHAPTER 6

SUPPLY MANAGEMENT - CENTRAL OPERATIONS

5-6.3AM continued

(52) Report No. 74 - Stores Stock Issues/Budget Analysis by Location

- a. Report provides information on annual budget, allotment to date, stock issues, current fund balance, projected year end balance by General Ledger Account, Sub-Sub-Activity and Facility.
- b. Report can and should be used to monitor status of Service Unit/Facility budgets.
- c. Forward original copy to appropriate Supply Service Center staff and carbon copy to appropriate facilities.

(53) Report No. 75 - Summary of Stores Stock Issues/Budget Analysis

- a. Report provides area summary totals of budget data, allotment to date, stock issues, current fund balance, and projected year end balance by location, general ledger account and sub-sub-activity.
- b. Report can be used to monitor overall status of area supply budgets.
- c. Report should be reviewed by the Supply Service Center Director and higher echelon.

(54) Report No. 76 - Analysis of Issues by User

- a. Report provides information by User on scheduled and unscheduled stock issue request, stock fill rates, stock back orders, direct issue document/line items, value of stock issues and direct issues by general ledger account.
- b. Report is available on request from your Computer Unit. Report should be requested and used in conducting detail station reviews and/or to identify user problems within a facility.

(5'5) Report No. 77 - Analysis of Issues by Sub-Station

- a. Information on Report is the same as Report No. 76, except totals are by Sub-Station and report is provided monthly.
- b. Report should be used by Inventory Management Unit and/or Supply Service Center Director to analyze supply support being provided to each station, to identify possible changes in order/issue schedules, and in conducting facility supply reviews.
- c. Forward a copy of the report to each facility for their use.

MANAGEMENT SERVICES

CHAPTER

SUPPLY MANAGEMENT -CENTRAL OPERATIONS

5-6.3AM continued

(56) Report No. 78. Analysis of Issue by Area

8. Information on report is the same as Report No. 76, except totals are by area and report is provided monthly.
- b. Report should be used by Supply Service Center Director and higher echelon to analyze overall area supply support being provided.

(57) Report No. 79 - Summary of Issues by Program

- a. Report provides information on stock issue values, direct issue values, total issue values, stock line items requested, percent stock outs, direct issue line items, stock issue documents and direct issue documents by general ledger account, user, substation and overall program total.
- b. Report should be used by Inventory Management Unit and Supply Service Center Director to analyze supply data by Program.
- c. Copy of the monthly report is to be provided to appropriate area staff, i.e., Area Pharmacy Officer, Area Dental Officer, Area Dietary Consultant, etc.

(58) Report No. 80 - Analysis of Issue Values by Item/Location/Category

- a. . Report provides a 3-year usage comparison of issue values by item, Using Location and category. Report should be used by the Area Standardization Committees and by Supply Service ~ Center staff to identify usage trends, high use users, inappropriate users of an item, etc.
- b. Report is available in various options. Refer to 5-6.6AF for report contents and options.
- c. Dispose of report when no longer needed.

5 -6.3AN HAZARDOUS ITEMS - CHEMOTHERAPY DRUGS

- (1) Supply items that are identified/classified as hazardous substances such as Chemotherapy or Cytotoxic Drugs require special handling, storage and distribution. In addition to the procedures outlined in OSHA Instruction PUB 8-1.1, Office of Occupational Medicine, dated Jan 29, 1986, (Exhibit 5-6,10A(62), the following general procedures are also to be followed.

5-6.3AN continued

- a. Chemotherapy/Cytotoxic Drugs are to be stored in a separate area by themselves. This area should be away from heavy traffic patterns, such as fork-lifts, to avoid possible accidents. Such areas are to be identified with a large warning sign and a sign detailing procedures to be followed in case of a spill.
- b. These items are to be identified with Storage Location Code "H", Hazardous Materials.
- c. Separate purchase orders for Chemotherapy/Cytotoxic Drugs are to be issued and the purchase order and/or purchase order file folder specially marked to identify the items as hazardous substances. This will alert receiving personnel that these items require special handling.
- d. Chemotherapy/Cytotoxic Drugs are to be placed in plastic bags and sealed as they are pulled from stock. In case of breakage during shipment, this will eliminate contamination of the total carton.
- e. These items are to be separately packed from other items for delivery to the requisitioner and the containers specially identified.
- f. Personnel involved in the receiving, storage, issuing, etc., of these items are to receive orientation/training on relevant techniques and procedures for their handling, proper use of protective materials, spill procedures, etc.
- g. Disposal of these items must be in accordance with applicable regulations as they are regarded as toxic (hazardous) wastes.